OFFERING MEMORANDUM **CONFIDENTIAL**

US$1,000,000,000

ICICI Bank Limited, acting through its Hong Kong branch
5.75% Notes due 2020
Issue Price: 99.542%

We, ICICI Bank Limited, acting through our Hong Kong branch, are issuing US$1,000,000,000 of 5.75% notes due 2020, or the notes. The notes will mature on November 16, 2020. We may, at our option, redeem some or all of the notes at any time at the redemption prices described in this offering memorandum. We may also redeem the notes at any time in the event of certain changes in withholding taxes. The notes will bear interest from November 16, 2010 at a fixed rate of 5.75% per annum, payable semi-annually in arrears on May 16 and November 16 of each year, beginning May 16, 2011.

We have received approval in-principle for the listing of the notes on the Singapore Exchange Securities Trading Limited, or the Singapore Exchange. The Singapore Exchange assumes no responsibility for the correctness of any statements made, opinions expressed or reports contained in this offering memorandum. Approval in-principle from, and admission of the notes to the Official List of, the Singapore Exchange are not to be taken as an indication of the merits of ICICI Bank Limited or the notes.

Investing in the notes involves risks. See "Risk Factors" beginning on page 16 for a discussion of risks relevant to an investment in the notes.

The notes have been assigned a rating of "Baa2" by Moody's Investors Service, Inc., or Moody's, and a rating of "BBB-" by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc., or S&P. The ratings address our ability to perform our obligations under the terms of the notes. A rating is not a recommendation to buy, sell or hold the notes and may be subject to suspension, reduction or withdrawal at any time by Moody's or S&P. A suspension, reduction or withdrawal of the rating assigned to the notes may adversely affect the market price of the notes.

The notes have not been and will not be registered under the United States Securities Act of 1933, as amended, or the Securities Act, or the securities laws of any other jurisdiction and may not be offered or sold within the United States (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the notes are being offered and sold only (i) in the United States to qualified institutional buyers in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A and (ii) outside the United States to non-US persons in compliance with Regulation S under the Securities Act. For a description of certain restrictions on resales and transfers, see "Transfer Restrictions".

It is expected that the notes will be ready for delivery in book-entry form only through The Depository Trust Company, or DTC, Euroclear Bank S.A./N.V., as operator of the Euroclear System, or Euroclear, and Clearstream Banking, *société anonyme*, Luxembourg, or Clearstream, Luxembourg, and their respective participants, on or about November 16, 2010.

Joint Lead Managers and Bookrunners

Barclays Capital **Citi** **Deutsche Bank**

The date of this offering memorandum is November 8, 2010.

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In this offering memorandum, (i) references to "we", "our" or to "us" mean, as the context requires, ICICI Bank Limited on an unconsolidated basis, or to ICICI Bank Limited and its subsidiaries on a consolidated basis, and references to "ICICI Bank" or "the Bank" are to ICICI Bank Limited on an unconsolidated basis, (ii) references to "our Hong Kong branch" or the "Issuer" mean ICICI Bank Limited, acting through its Hong Kong branch, and (iii) references to "ICICI" are to ICICI Limited prior to its amalgamation with ICICI Bank Limited. Reference to "the Scheme of Amalgamation" are to the Scheme of Amalgamation of ICICI, ICICI Personal Financial Services and ICICI Capital Services with ICICI Bank 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 and approved by the Reserve Bank of India on April 26, 2002. Reference to "Sangli Bank" are to the Sangli Bank Limited prior to its amalgamation with ICICI Bank, effective April 19, 2007. References to "Bank of Rajasthan" are to the Bank of Rajasthan Limited, prior to its amalgamation with ICICI Bank, effective as of the close of business on August 12, 2010.

In this offering memorandum, unless otherwise specified, all financial statements and financial data are for ICICI Bank on an unconsolidated basis. In this offering memorandum, unless otherwise specified or the context otherwise requires, references to "$", "US$", "US dollars" and "dollars" are to United States dollars and references to "₹", "Rs.", "rupee", "rupees" or "Indian rupees" are to the legal currency of India. References to a particular "fiscal" year are to our fiscal year ended March 31 of such year. In this offering memorandum, references to "US" or "United States" are to the United States of America, its territories and its possessions. References to "India" are to the Republic of India.

Except as otherwise stated in this offering memorandum, all translations from Indian rupees to US dollars are based on exchange rate as set forth in the H.10 statistical release of the Federal Reserve Board at September 30, 2010. The Federal Reserve Bank of New York certifies this rate for customs purposes in a weekly version of the H.10 release. The exchange rate as set forth in the H.10 statistical release of the Federal Reserve Board at September 30, 2010 was Rs. 44.56 per $1.00. No representation is made that the Indian rupee amounts have been, could have been or could be converted into US dollars at such a rate or any other rate. Any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

This offering memorandum has been prepared by us solely for use in connection with the proposed placement of the notes. Both we, as well as Barclays Bank PLC, Citigroup Global Markets Limited, and Deutsche Bank AG, Singapore Branch, being the Initial Purchasers, reserve the right to withdraw the offering of the notes at any time or to reject any offer to purchase, in whole or in part, for any reason, or to sell less than all of the notes offered hereby. This offering memorandum is personal to the prospective investor to whom it has been delivered by the Initial Purchasers and does not constitute an offer to any other person or to the public in general to subscribe for or otherwise acquire the notes. Except as set forth in the paragraph below, distribution of this offering memorandum to any person other than the prospective investor and those persons, if any, retained to advise that prospective investor with respect thereto is unauthorized, and any disclosure of its contents without our prior written consent is prohibited. Except as set forth in the paragraph below, the prospective investor, by accepting delivery of this offering memorandum, agrees to the foregoing and agrees not to make any photocopies of this offering memorandum.

This offering memorandum is intended solely for the purpose of soliciting indications of interest in the notes from qualified investors and does not purport to summarize all of the terms, conditions, covenants and other provisions contained in the Indenture and other transaction documents described herein. The information provided is not all-inclusive. The market information in this offering memorandum has been obtained by us from publicly available sources deemed by us to be reliable. Notwithstanding any investigation that the Initial Purchasers may have conducted with respect to the information contained herein, the Initial Purchasers do not accept any liability in relation to the information contained in this offering memorandum or its distribution or with regard to any other information supplied by or on our behalf.

We confirm that, after having made all reasonable inquiries, this offering memorandum contains all information with regard to us and the notes which is material to the offering and sale of the notes, that the information contained in this offering memorandum is true and accurate in all material respects and is not misleading in any material respect and that there are no omissions of any other facts from this offering memorandum which, by their absence herefrom, make this offering memorandum misleading in any material respect. We accept responsibility accordingly. The information presented in the section entitled "Overview of the Indian Financial Sector" has been accurately 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 independently verified by us.

This offering memorandum contains summaries intended to be accurate with respect to certain terms of certain documents, but reference is made to the actual documents, all of which will be made available to prospective investors upon request to us or the trustee for complete information with respect thereto, and all such summaries are qualified in their entirety by such reference.

We and the Initial Purchasers have not authorized anyone to provide any information to prospective investors in the notes, other than that contained or incorporated by reference in this offering memorandum. We and the Initial Purchasers take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give prospective investors in the notes. The information contained in this offering memorandum is accurate in all material respects only as of the date of this offering memorandum, regardless of the time of delivery of this offering memorandum or of any sale of the notes. Neither the delivery of this offering memorandum nor any sale made hereunder shall under any circumstances imply that there has been no change in our affairs and those of each of our respective subsidiaries or that the information set forth herein is correct in all material respects as of any date subsequent to the date hereof.

Prospective investors hereby acknowledge that (i) they have been afforded an opportunity to request from us and to review, and have received, all additional information considered by them to be necessary to verify the accuracy of, or to supplement, the information contained herein, (ii) they have had the opportunity to review all of the documents described herein, (iii) they have not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with any investigation of the accuracy of such information or their investment decision, and (iv) no person has been authorized to give any information or to make any representation concerning us or the notes (other than as contained herein and information given by our duly authorized officers and employees, as applicable, in connection with investors' examination of us and the terms of this offering) and, if given or made, any such other information or representation should not be relied upon as having been authorized by us or the Initial Purchasers.

In making an investment decision, prospective investors must rely on their examination of us and the terms of this offering, including the merits and risks involved. The notes have not been approved or recommended by any United States federal or state securities commission or any other United States, Hong Kong, Singapore or other regulatory authority. Furthermore, the foregoing authorities have not passed upon or endorsed the merits of the offering or confirmed the accuracy or determined the adequacy of this offering memorandum. Any representation to the contrary is a criminal offense in the United States.

NOTICE TO NEW HAMPSHIRE RESIDENTS

Neither the fact that a registration statement or an application for a license has been filed under chapter 421-B of the New Hampshire revised statutes, or RSA 421-B, with the State of New Hampshire nor the fact that a note is effectively registered or a person is licensed in the State of New Hampshire constitutes a finding by the Secretary of State of New Hampshire that any document filed under RSA 421-B is true, complete and not misleading. Neither any such fact nor the fact that an exemption or exception is available for a note or a transaction means that the Secretary of State has passed in any way upon the merits or qualifications of, or recommended or given approval to, any person, note or transaction. It is unlawful to make, or cause to be made, to any prospective purchaser, customer or client, any representation inconsistent with the provisions of this paragraph.

This offering memorandum does not constitute an offer to sell, or a solicitation of an offer to buy, any notes offered hereby by any person in any jurisdiction in which it is unlawful for such person to make an offer or solicitation.

In connection with this issue, Deutsche Bank AG, Singapore Branch, or any of its affiliates (or any person acting on behalf of any of them) may, to the extent permitted by applicable laws and regulations, over-allot or effect transactions with a view to supporting the market price of the notes at a level higher than that which might otherwise prevail for a limited period after the issue date. However, there is no obligation on Deutsche Bank AG, Singapore Branch, or any of its affiliates (or any person acting on behalf of any of them), to do this. Such stabilization, if commenced, may be discontinued at any time, and must be brought to an end after a limited period.

None of us, the Initial Purchasers, or any of our or their respective affiliates or representatives is making any representation to any offeree or purchaser of the notes offered hereby regarding the legality of any investment by such offeree or purchaser under applicable legal investment or similar laws. Each prospective investor should consult with its own advisors as to legal, tax, business, financial and related aspects of a purchase of the notes.

For this offering, we and the Initial Purchasers are relying upon exemptions from registration under the Securities Act for offers and sales of securities which do not involve a public offering, including Rule 144A under the Securities Act. **Prospective investors are hereby notified that sellers of the notes may be relying on the exemption from the provision of Section 5 of the Securities Act provided by Rule 144A.** The notes are subject to restrictions on transferability and resale. Purchasers of the notes may not transfer or resell the notes except as permitted under the Securities Act and applicable state securities laws. See "Transfer Restrictions". Prospective investors should thus be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

The distribution of this offering memorandum and the offer and sale of the notes may, in certain jurisdictions, be restricted by law. Each purchaser of the notes must comply with all applicable laws and regulations in force in each jurisdiction in which it purchases, offers or sells the notes or possesses or distributes this offering memorandum, and must obtain any consent, approval or permission required for the purchase, offer or sale by it of the notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes purchases, offers or sales. There are restrictions on the offer and sale of the notes, and the circulation of documents relating thereto, in certain jurisdictions including the United States, the United Kingdom, Hong Kong and Singapore, and to persons connected therewith. See "Plan of Distribution—Selling Restrictions".

Investors should contact the Initial Purchasers with any questions about this offering or if they require additional information to verify the information contained in this offering memorandum.

Neither the United States Securities and Exchange Commission, or the SEC, nor any state securities commission has approved or disapproved of these notes or determined if this offering memorandum is truthful or complete. Any representation to the contrary is a criminal offense.

AVAILABLE INFORMATION; INCORPORATION BY REFERENCE

While any notes remain outstanding, we shall, during any period in which we are not subject to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, or exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, make available to any qualified institutional buyer (as defined in Rule 144A under the Securities Act) who is a holder and any prospective purchaser of notes who is a qualified institutional buyer (as so defined) designated by such holder, upon the request of such holder or prospective purchaser, the information concerning us required to be provided to such holder or prospective purchaser by Rule 144A(d)(4) under the Securities Act.

Our audited consolidated financial statements at and for the year ended March 31, 2009 prepared in accordance with generally accepted accounting principles in India, or Indian GAAP, as included in our 15th annual report to shareholders, which has previously been published, and which can be accessed at http://www.icicibank.com/aboutus/zip/ICICI_Bank_Annual_Report_FY2009.zip, are incorporated by reference into this offering memorandum (but not any other parts of such annual report). Our audited consolidated financial statements at and for the year ended March 31, 2010 prepared in accordance with Indian GAAP, as included in our 16th annual report to shareholders, which has previously been published, and which can be accessed at http://www.icicibank.com/aboutus/zip/ICICI_Bank_Annual_Report_FY2010.zip, are incorporated by reference into this offering memorandum (but not any other parts of such annual report). The information incorporated by reference is part of this offering memorandum. You should read the information incorporated by reference together with other information in this offering memorandum.

ENFORCEABILITY OF CIVIL LIABILITIES

ICICI Bank is a limited liability company under the laws of India. Substantially all of our directors and executive officers and certain experts named herein reside outside the United States, and a substantial portion of our assets and the assets of such persons are located outside the United States. As a result, it may be difficult for investors to effect service of process upon such persons within the United States or to enforce against us or such persons in US courts judgments obtained in US courts, including judgments predicated upon the civil liability provisions of the federal securities laws of the United States.

India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. We understand that in India the statutory basis for recognition of foreign judgments is found in Section 13 of the Indian Code of Civil Procedure 1908, or the Civil Code, which provides that a foreign judgment shall be conclusive as to any matter directly adjudicated upon except: (i) where the judgment has not been pronounced by a court of competent jurisdiction; (ii) where the judgment has not been given on the merits of the case; (iii) where the judgment appears on the face of the proceedings to be founded on an incorrect view of international law or a refusal to recognize the law of India in cases where such law is applicable; (iv) where the proceedings in which the judgment was obtained were opposed to natural justice; (v) where the judgment has been obtained by fraud; or (vi) where the judgment sustains a claim founded on a breach of any law in force in India. Section 44A of the Civil Code provides that where a foreign judgment has been rendered by a court in any country or territory outside India which the government of India has by notification declared to be a reciprocating territory, it may be enforced in India by proceedings in execution as if the judgment had been rendered by the relevant court in India. The United States has not been declared by the government of India to be a reciprocating territory for purposes of Section 44A. Accordingly, a judgment of a court in the United States may be enforced in India only by a suit upon the judgment, not by proceedings in execution. The suit must be brought in India within three years from the date of the judgment in the same manner as any other suit filed to enforce a civil liability in India. It is unlikely that a court in India would award damages on the same basis as a foreign court if an action is brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if it viewed the amount of damages awarded as excessive or inconsistent with Indian practice. A party seeking to enforce a foreign judgment in India is required to obtain approval from the Reserve Bank of India under the Foreign Exchange Management Act, 1999 to execute such a judgment or to repatriate any amount recovered. Also, a party may file suit in India against us, our directors or our executive officers as an original action predicated upon the provisions of the federal securities laws of the United States.

FORWARD-LOOKING STATEMENTS

We have included statements in this offering memorandum which contain words or phrases such as "will", "would", "aim", "aimed", "will likely result", "is likely", "are likely", "believe", "expect", "expected to", "will continue", "will achieve", "anticipate", "estimate", "estimating", "intend", "plan", "contemplate", "seek to", "seeking to", "trying to", "target", "propose to", "future", "objective", "goal", "project", "should", "can", "could", "may", "will pursue" and similar expressions or variations of such expressions that may constitute "forward-looking statements". These forward-looking statements involve a number of risks, uncertainties and other factors that could cause actual results, opportunities and growth potential to differ materially from those suggested by the forward-looking statements. These risks and uncertainties include, but are not limited to, the actual growth in demand for banking and other financial products and services in the countries that we operate in or where a material number of our customers reside, our ability to successfully implement our strategy, including our retail deposit growth strategy, our use of the internet and other technology, our rural expansion, our exploration of merger and acquisition opportunities, our ability to integrate recent or future mergers or acquisitions into our operations and manage the risks associated with such acquisitions to achieve our strategic and financial objectives, our ability to manage the increased complexity of the risks we face following our rapid international growth, future levels of non-performing and restructured loans, our growth and expansion in domestic and overseas markets, the adequacy of our allowance for credit and investment losses, technological changes, investment income, our ability to market new products, cash flow projections, the outcome of any legal, tax or regulatory proceedings in India and in other jurisdictions we are or become a party to, the future impact of new accounting standards, our ability to implement our dividend policy, the impact of changes in banking regulations and other regulatory changes in India and other jurisdictions on us, including on the assets and liabilities of ICICI, a former financial institution not subject to Indian banking regulations, the state of the global financial system and systemic risks, the bond and loan market conditions and availability of liquidity amongst the investor community in these markets, the nature of credit spreads and interest spreads from time to time, including the possibility of increasing credit spreads or interest rates, our ability to roll over our short-term funding sources and our exposure to credit, market and liquidity risks. Neither we nor the Initial Purchasers undertake no obligation to update forward-looking statements to reflect events or circumstances after the date thereof.

In addition, other factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this offering memorandum include, but are not limited to, the monetary and interest rate policies of India and the other markets in which we operate, natural calamities and environmental issues, general economic and political conditions in India, southeast Asia, and the other countries which have an impact on our business activities or investments, political or financial instability in India or any other country caused by any factor including any terrorist attacks in India, the United States or elsewhere or any other acts of terrorism world-wide, any anti-terrorist or other attacks by the United States, a United States-led coalition or any other country, the monetary and interest rate policies of India, tensions between India and Pakistan related to the Kashmir region or military armament or social unrest in any part of India, inflation, deflation, unanticipated turbulence in interest rates, changes or volatility in the value of the rupee, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in general, changes in domestic and foreign laws, regulations and taxes, changes in competition and the pricing environment in India and regional or general changes in asset valuations. For a further discussion of the factors that could cause actual results to differ, see the discussion under “Risk Factors” contained in this offering memorandum.

SUMMARY

You should read the following summary together with the risk factors and the more detailed information about us and our financial results included elsewhere in this offering memorandum.

Overview

We are a diversified financial services group offering a wide range of banking and financial services to corporate and retail customers through a variety of delivery channels. We are the largest private sector bank in India and the second largest bank in India, in terms of total assets. Apart from banking products and services, we offer life and general insurance, asset management, securities brokering and private equity products and services through specialized subsidiaries.

Our primary business consists of commercial banking operations for corporate and retail customers. We provide a range of commercial banking and project finance products and services, including loan products, fee and commission-based products and services, deposit products and foreign exchange and derivatives products to India's leading corporations, middle market companies and small and medium enterprises. Our commercial banking operations for retail customers consist of retail lending and deposit taking and distribution of third party investment products. We deliver our products and services through a variety of channels, including bank branches, ATMs, call centers and the internet. We had a network of 2,501 branches and 5,722 ATMs in India at September 30, 2010. This includes 457 deposit taking branches and 131 ATMs of the Bank of Rajasthan, an old private sector bank that merged with us with effect from the close of business on August 12, 2010. We also offer agricultural and rural banking products.

In our international banking operations, our primary focus is on persons of Indian origin and Indian businesses. Our international branches and banking subsidiaries take deposits, raise borrowings and make loans primarily to Indian companies for their overseas operations. They also engage in advisory and syndication activities for fund-raising by Indian companies and their overseas operations. We currently have subsidiaries in the United Kingdom, Canada and Russia, branches in Singapore, Dubai, Sri Lanka, Hong Kong, Qatar, the United States and Bahrain and representative offices in China, the United Arab Emirates, Bangladesh, South Africa, Malaysia, Thailand and Indonesia. Our subsidiary in the United Kingdom has established a branch in Antwerp, Belgium and a branch in Frankfurt, Germany. Our subsidiaries in the United Kingdom and Canada and our branches in Bahrain, Singapore and Hong Kong have the largest share of our international assets and liabilities.

Our treasury operations include maintenance and management of regulatory reserves, proprietary trading in equity and fixed income and a range of foreign exchange and derivatives products and services for corporate customers, such as forward contracts, swaps and options. We take advantage of movement in markets to earn treasury income. Our international branches and subsidiaries also have investments in credit derivatives and in bonds of non-India financial institutions and asset backed securities.

We are also engaged in insurance, asset management, securities business and private equity fund management through specialized subsidiaries. Our subsidiaries ICICI Prudential Life Insurance Company, ICICI Lombard General Insurance Company and ICICI Prudential Asset Management Company provide a wide range of life and general insurance and asset management products and services to retail and corporate customers. ICICI Prudential Life Insurance Company was the largest private sector life insurance company with a market share of about 9.9% in new business written (on retail weighted received premium basis) during the six months ended September 30, 2010. ICICI Lombard General Insurance Company was the largest private sector general insurance company in India, with a market share of about 10.3% in gross written premium during the six months ended September 30, 2010. ICICI Prudential Asset Management Company manages the ICICI Prudential Mutual Fund Limited, which was among the top three mutual funds in India in terms of average funds under management in September 2010, with a market share of about 9.8%. We cross-sell the products of our insurance and asset management subsidiaries to our corporate and retail customers. ICICI Securities Limited and ICICI Securities Primary Dealership Limited are engaged in equity underwriting and brokerage and primary dealership in government securities, respectively. ICICI Securities owns icicidirect.com, a leading online brokerage platform. ICICI Securities Limited has a subsidiary in the United States, ICICI Securities Holdings Inc., which has a subsidiary in the United States, ICICI Securities Inc., which is engaged in brokerage services. Our private equity fund management subsidiary ICICI Venture Funds Management Company manages funds that undertake private equity investments.

Strategy

The key elements of our business strategy are to:

- focus on quality growth opportunities by:
  - enhancing our retail and corporate franchise in both domestic and international markets;
  - increasing the proportion of current and savings account and retail term deposits in our domestic deposit base;
  - building a rural banking franchise; and
  - strengthening our insurance, asset management and securities businesses
- emphasize conservative risk management practices and enhance asset quality;
- use technology for competitive advantage; and
- attract and retain talented professionals.

Our principal executive offices are located at ICICI Bank Towers, Bandra-Kurla Complex, Mumbai 400051, India; our telephone number is (91) 22-2653-1414; and our website address is www.icicibank.com. The information on our website is not a part of this offering memorandum.

THE OFFERING

Issuer	ICICI Bank Limited, acting through its Hong Kong branch.
The Notes	US$1,000,000,000 of 5.75% notes due 2020.
Issue Price	99.542% of the principal amount.
Maturity Date	November 16, 2020.
Issue Date	November 16, 2010.
Indenture	The notes will be issued under an indenture to be dated on or about November 16, 2010, between us and The Bank of New York Mellon, as trustee.
Rating	The notes have been assigned a rating of "Baa2" by Moody's and a rating of "BBB-" by S&P. The rating addresses our ability to perform our obligations under the terms of the notes. A rating is not a recommendation to buy, sell or hold the notes and may be subject to suspension, reduction or withdrawal at any time by Moody's or S&P. A suspension, reduction or withdrawal of the rating assigned to the notes may adversely affect the market price of the notes.
Interest	The notes will bear interest from November 16, 2010 at a fixed rate of 5.75% per annum, payable semi-annually in arrears.
Interest Payment Dates	Interest on the notes will be paid on May 16 and November 16 of each year, commencing on May 16, 2011.
Redemption at Maturity	Unless previously redeemed, or purchased and cancelled, the notes shall be redeemed at 100% of their principal amount in US dollars, plus any accrued and unpaid interest, on the maturity date.
Ranking	The notes will be our general unsecured and unsubordinated obligations, and will rank *pari passu* amongst themselves and equal in right of payment with all of our existing and future unsecured and unsubordinated obligations that are not either (i) required to be preferred by applicable law or (ii) by their terms expressly subordinated in right of payment to the notes.
Use of Proceeds	We intend to use the net proceeds of the issuance of the notes for general corporate purposes in accordance with any applicable rules or regulations.
Covenants	The terms of the indenture impose certain covenants on us that will, among other things, restrict our ability, subject to certain exceptions, to create or permit to be outstanding any security interest upon any of our properties, assets or revenues to secure certain obligations as described under the "Description of the Notes—Certain Covenants—Negative Pledge". In addition, the terms of the indenture will require us to meet certain conditions before we consolidate, merge or transfer substantially all our assets to another person without the consent of the holders of at least 66 2/3% of the outstanding notes. Further, the terms of the indenture will require us, among other things, to give notice to the trustee of any event of default under the indenture. These covenants are subject to a number of important qualifications. See "Description of the Notes—Certain Covenants".

Events of Default .... The indenture will contain certain limited events of default, consisting of the following:

- failure to pay principal on the due date thereof;
- failure to pay interest or any additional amounts in accordance with the terms of the notes and this non-payment continues for 15 days;
- failure to perform any other covenant in the indenture and such failure to perform continues for 60 days after written notice as provided in the indenture;
- certain events involving bankruptcy, liquidation, reorganization or insolvency proceedings, whether voluntary or involuntary;
- any default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any of our present or future indebtedness, if that default:

  (1) is caused by a failure to pay principal of, or interest or premium, if any, on, such indebtedness within the grace period provided in such indebtedness on the date of such default, or Payment Default; or

  (2) results in the principal amount of such indebtedness being deemed to be or otherwise becomes due and payable prior to its express maturity and such default continues for 60 days after written notice as provided in the indenture,

  and, in each case, the principal amount of any such indebtedness, together with the principal amount of any other such indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates US$25,000,000 (or its equivalent in another currency) or more; and
- certain events involving enforcement proceedings, the taking possession by an encumbrancer or the appointment of a receiver or similar person, which are not stayed or discharged within 120 days, or certain actions of expropriation by a governmental authority.

Payment of principal of and accrued and unpaid interest on the notes will be accelerated without any declaration or other act on the part of the trustee or any noteholders in the case of an event of default relating to our bankruptcy, liquidation or dissolution or similar proceeding, except for the initiation of such proceedings in India. In the case of other events of default, the trustee shall, if so requested in writing by the noteholders of not less than 33 1/3% in aggregate principal amount of the outstanding notes, give notice in writing to us that the payment of principal of and accrued and unpaid interest on the notes will be accelerated. See "Description of the Notes—Events of Default".

Defeasance .... We need not comply with certain covenants of the notes as specified in the indenture, including the covenant described under the "Description of the Notes—Certain Covenants—Negative Pledge", if we satisfy certain requirements as specified in "Description of the Notes—Legal Defeasance and Covenant Defeasance".

Withholding Taxes; 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 Hong Kong or India, or any political subdivision or taxing authority thereof or therein, each a taxing jurisdiction, unless such withholding or deduction is required by law. In the event we are required to withhold or deduct amounts for any such taxes or other governmental charges, we will pay such additional amounts so that the noteholders will receive the same amounts as they would have received without such withholding or deduction, subject to certain exceptions. We 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 mentioned above and will indemnify the noteholders for any such taxes paid by the noteholders, 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".
Optional Redemption	We may, at our election and having given not less than 30 nor more than 60 days' notice to the holders in accordance with the terms described under "Description of the Notes—Notices" (which notice shall be irrevocable), redeem from time to time all or a portion of the outstanding Notes at a "make whole" redemption price determined in the manner set forth in this offering memorandum. See "Description of the Notes—Optional Redemption".
Optional Tax Redemption	In the event that we determine that, (i) as a result of certain changes in or amendments to the laws or regulations of a taxing jurisdiction as described under "Description of the Notes—Redemption—Optional Tax Redemption", we have been or will be required to pay additional amounts as described under "Description of the Notes—Additional Amounts" and (ii) such payment of additional amounts cannot be avoided by our taking reasonable measures available to us, which may include changing the jurisdiction from which or through which payments are made, we may, at our option, redeem the Notes at any time, in whole (and not in part), at a redemption price equal to 100% of the principal amount of the notes then outstanding plus accrued and unpaid interest on the principal amount being redeemed to (but excluding) the redemption date. See "Description of the Notes—Redemption—Optional Tax Redemption".
Listing	We have received approval in-principle for the listing of the notes on the Singapore Exchange. Approval in-principle from, and admission to the Official List of, the Singapore Exchange are not to be taken as an indication of our merits or the merits of the notes. The notes will be traded on the Singapore Exchange in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies) for so long as the notes are listed on the Singapore Exchange and the rules of that exchange so require.
Transfer Restrictions	The notes have not been registered under the Securities Act and may be transferred only as described under "Transfer Restrictions".
Governing Law	The indenture, the notes, the related purchase agreement and other related documents will be governed by the laws of the State of New York.

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. 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".
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, or Rule 144A, will be issued in the form of a restricted global note, or the Restricted Global Note, and the notes sold in reliance on Regulation S under the Securities Act, or Regulation S, will be issued in the form of a Regulation S global note, or the Regulation S Global Note. The Restricted Global Note will be registered in the name of Cede & Co. as nominee for, and deposited with The Bank of New York Mellon as custodian for, DTC. The Regulation S Global Note will be registered in the name of Cede & Co. as nominee for, and deposited with The Bank of New York Mellon 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".

Security Codes

	Rule 144A	Regulation S
CUSIP	44927J AC0	Y3860X AC7
ISIN	US44927JAC09	USY3860XAC75

SELECTED FINANCIAL AND OPERATING DATA

Our financial and other data for fiscal 2006 through fiscal 2010 included in this offering memorandum have been derived from our audited 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. Our financial and other data for the six months ended September 30, 2009 and September 30, 2010 have been derived from our audited unconsolidated condensed financial statements. 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 Bank Canada, ICICI Bank Eurasia Limited Liability Company, ICICI Bank UK PLC, ICICI Home Finance Company Limited, ICICI Lombard General Insurance Company Limited, ICICI Prudential Asset Management Company Limited, ICICI Prudential Life Insurance Company Limited, ICICI Securities Limited, ICICI Securities Primary Dealership Limited and ICICI Venture Funds Management Company Limited, certain consolidated funds managed by ICICI Venture Funds Management Company Limited.

Additionally, certain financial data for fiscal 2010 in this offering memorandum have been derived from our consolidated financial statements which are 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 unconsolidated financial statements for fiscal 2006 and for the six months ended September 30, 2010 were audited by S.R. Batliboi & Co., Chartered Accountants. The unconsolidated financial statements for fiscal 2007, 2008, 2009 and 2010 and for the six months ended September 30, 2009 were audited by B S R & 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.

Unless otherwise indicated, 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 years 2006, 2007, 2008, 2009 and 2010 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. For discussion of certain significant differences between Indian GAAP and US GAAP, see "Description of Certain Differences between Indian GAAP and US GAAP".

Operating Results Data

The operating results data for fiscal 2006, 2007, 2008, 2009 and 2010 and the six months ended September 30, 2009 and September 30, 2010 are given below. The operating results data for the six months ended September 30, 2010 includes the results of the Bank of Rajasthan for 49 days.

	Year ended March 31,					Six months ended September 30,		
	2006	2007	2008	2009	2010	2009	2010	2010
	(Rupees in billions, except per share data)							(US$ in millions, except per share data)
Interest income								
Interest on advances(1)	Rs. 102.07	Rs. 160.96	Rs. 226.01	Rs. 223.24	Rs. 173.73	Rs. 95.79	Rs. 77.28	US$ 1,734
Income on investments(2)	28.91	49.90	74.66	74.03	64.66	32.04	35.75	802
Interest on balances with the Reserve Bank of India and other inter-bank funds and others(3)	4.06	9.09	7.21	13.66	18.68	10.07	8.19	184
Total interest income	**Rs. 135.04**	**Rs. 219.95**	**Rs. 307.88**	**Rs. 310.93**	**Rs. 257.07**	**Rs. 137.90**	**Rs. 121.22**	**US$ 2,720**
Interest expense								
Interest on deposits	Rs. (58.37)	Rs. (116.48)	Rs. (171.10)	Rs. (157.85)	Rs. 115.13)	Rs. (66.35)	Rs. (47.29)	(1061)
Interest on the Reserve Bank of India/inter-bank borrowings	(9.25)	(13.00)	(18.27)	(20.05)	(11.95)	(6.95)	(5.48)	(123)
Others (including interest on borrowings of the erstwhile ICICI Limited)(4)	(28.35)	(34.10)	(45.47)	(49.36)	(48.85)	(24.39)	(26.49)	(594)
Total interest expense	**Rs. (95.97)**	**Rs. (163.58)**	**Rs. (234.84)**	**Rs. (227.26)**	**Rs. (175.93)**	**Rs. (97.69)**	**Rs. (79.26)**	**US$ (1,778)**
Net interest income	**Rs. 39.07**	**Rs. 56.37**	**Rs. 73.04**	**Rs. 83.67**	**Rs. 81.14**	**Rs. 40.21**	**Rs. 41.96**	**US$ 942**
Non-interest income								
Commission, exchange and brokerage(5)	Rs. 30.02	Rs. 43.31	Rs. 56.05	Rs. 56.26	Rs. 48.31	Rs. 23.17	Rs. 26.04	US$ 584
Profit/(loss) on sale of investments (net)	7.50	11.15	18.80	18.00	5.47	3.56	1.09	24
Profit/(loss) on foreign exchange transactions (net)	4.73	6.44	1.10	0.08	11.06	6.44	3.89	87
Profit/(loss) on revaluation of investments (net)	(0.54)	(0.35)	(0.68)	(5.14)	1.85	2.63	(1.46)	(33)
Lease income	3.61	2.38	2.17	2.33	1.57	1.07	0.62	14
Miscellaneous income(6)	4.51	6.35	10.67	4.50	6.52	2.27	2.40	54
Total non-interest income	**Rs. 49.83**	**Rs. 69.28**	**Rs. 88.11**	**Rs. 76.03**	**Rs. 74.78**	**Rs. 39.14**	**Rs. 32.58**	**US$ 730**
Total income	**Rs. 88.90**	**Rs. 125.65**	**Rs. 161.15**	**Rs. 159.70**	**Rs. 155.92**	**Rs. 79.35**	**Rs. 74.54**	**US$ 1,672**
Non-interest expense								
Operating expenses(7)	(35.48)	(49.79)	(64.29)	(63.06)	(55.93)	(28.25)	(29.27)	(657)
Direct marketing agency expenses(8)	(11.77)	(15.24)	(15.43)	(5.29)	(1.25)	(0.48)	(0.71)	(16)
Depreciation on leased assets	(2.77)	(1.88)	(1.82)	(2.10)	(1.42)	(0.98)	(0.56)	(13)
Total non-interest expense	**Rs. (50.02)**	**Rs. (66.91)**	**Rs. (81.54)**	**Rs.(70.45)**	**Rs. (58.60)**	**Rs. (29.71)**	**Rs. (30.54)**	**US$ (686)**
Operating profit before provisions	**Rs. 38.88**	**Rs. 58.74**	**Rs. 79.61**	**Rs. 89.25**	**Rs. 97.32**	**Rs. 49.64**	**Rs. 44.00**	**US$ 986**
Provisions and contingencies	(7.92)	(22.26)	(29.05)	(38.08)	(43.87)	(23.95)	(14.39)	(323)
Profit before tax	**Rs. 30.96**	**Rs. 36.48**	**Rs. 50.56**	**Rs. 51.17**	**Rs. 53.45**	**Rs. 25.69**	**Rs. 29.61**	**US$ 663**
Tax(9)	**(5.56)**	**(5.38)**	**(8.98)**	**(13.59)**	**(13.20)**	**(6.51)**	**(6.99)**	**(157)**
Profit after tax	**Rs. 25.40**	**Rs. 31.10**	**Rs. 41.58**	**Rs. 37.58**	**Rs. 40.25**	**Rs. 19.18**	**Rs. 22.62**	**US$ 506**
Dividend per share	**Rs. 8.50**	**Rs. 10.00**	**Rs. 11.00**	**Rs. 11.00**	**Rs. 12.00**	**—**	**—**	**—**
Dividend tax per share	1.19	1.70	1.34	1.36	1.47	—	—	—
Earnings per share(basic)(10)	32.49	34.84	39.39	33.76	36.14	17.23	20.11	
Earnings per share (diluted)(10)	32.15	34.64	39.15	33.70	35.99	17.17	20.03	

(1) Interest on advances represents interest on rupee and foreign currency loans and advances (including bills) and hire purchase receivables and gains/losses on sell-down of loans.

(2) Income on investments represents primarily interest earned on government and other approved securities held for statutory liquidity ratio (SLR) compliance, debentures, bonds and dividend income from equity and other investments in mutual funds/companies other than subsidiaries and fully owned consolidated entities. As per general clarification from Reserve Bank of India dated July 11, 2007 on circular DBOD.BP.BC.87/21.04.141/2006-07 dated April 20, 2007, the Bank has deducted the amortization of premium on government securities from "income from investments" included in interest income, which was earlier deducted from "profit/loss on revaluation of investments (net)" in non-interest income.

(3) Includes interest on income tax refund of Rs. 0.84 billion for six months ended September 30, 2010 (Six months ended September 30, 2009: Rs. 0.72 billion).

(4) Interest expense - others primarily includes interest expense on refinance from financial institutions, borrowings taken over from ICICI, commercial paper, bonds and debentures, subordinated debt, bills rediscounted and borrowings outside India from multilateral and bilateral credit agencies, banks, institutions and consortiums.

(5) Commission, exchange and brokerage primarily includes income from commissions on guarantees, letters of credit, cash management services, loan processing fees, project advisory and structuring and syndication fees, commission for distribution of products and fees from credit and debit card and demat accounts. It also includes commission on bills for collection and bills purchased/discounted. It does not include merchant foreign exchange income and margin on customer derivative transactions, which are included in profit/(loss) on exchange transactions.

(6) Miscellaneous income primarily includes dividend income from subsidiaries and affiliates and profit/(loss) on sale of properties.

(7) Operating expenses primarily include employee expenses, establishment expenses, depreciation on fixed assets, amortization of expenses related to early retirement option scheme (up to fiscal 2009) and other general office expenses.

(8) Direct marketing agency expense includes commissions paid to direct marketing agents or associates in connection with sourcing our retail assets. These commissions are expensed up front and not amortized over the life of the loan. Commission paid to direct marketing agents/dealers for origination of retail automobile loans which was being reduced from "Interest on advances" up to fiscal 2006 has now been reclassified to "Direct marketing agency expenses". Prior period figures have been reclassified to conform to the current classification.

(9) Tax includes income tax (net of deferred tax), wealth tax and fringe benefit tax (up to fiscal 2009). The levy of fringe benefit tax is not applicable as Finance (No.2) Act, 2009 has abolished fringe benefit tax with effect from fiscal 2010.

(10) Earnings per share is computed based on weighted average number of shares.

(11) Figures of the previous years have been reclassified to conform to the current period presentation.

For other notes to accounts, please refer to the audited unconsolidated financial statements for fiscal 2008, 2009 and 2010 and the audited unconsolidated condensed financial statements for the six months ended September 30, 2009 and 2010 included elsewhere in this offering memorandum.

Balance Sheet Data

The balance sheet data at March 31, 2006, 2007, 2008, 2009 and 2010 and at September 30, 2009 and 2010 is given below. Balance sheet data at September 30, 2010 includes the results of the Bank of Rajasthan.

	At March 31,					At September 30,		
	2006	**2007**	**2008**	**2009**	**2010**	**2009**	**2010**	**2010**
	(Rupees in billions, except per share data)							(US$ in millions, except per share data)
Assets:								
Cash in hand and balance with the Reserve Bank of India	Rs. 89.34	Rs. 187.07	Rs. 293.78	Rs. 175.36	Rs. 275.14	Rs. 200.39	Rs. 228.67	US$ 5132
Balance with banks and money at call and short notice	81.06	184.14	86.64	124.30	113.59	92.28	119.81	2689
Investments (net of provisions)								
Government and other approved securities, in India	510.75	673.68	753.88	633.87	684.04	778.44	696.99	15642
Debentures and bonds, in India	18.04	24.63	18.87	26.00	36.35	16.58	96.89	2174
Others(1)	186.68	214.27	341.79	370.71	488.54	404.63	568.87	12766
Total investments	**Rs. 715.47**	**Rs. 912.58**	**Rs. 1,114.54**	**Rs. 1,030.58**	**Rs. 1,208.93**	**1,199.65**	**Rs. 1,362.75**	**US$ 30,582**
Advances (net of provision)(2)	1,461.63	1,958.66	2,256.16	2,183.11	1,812.06	1,908.60	1,942.01	43,582
Fixed assets (including leased assets)	39.81	39.23	41.08	38.02	32.13	35.51	47.81	1,073
Others assets(3)	126.58	164.90	205.75	241.64	192.15	227.31	198.93	4,465
Total assets	**Rs. 2,513.89**	**Rs. 3,446.58**	**Rs. 3,997.95**	**Rs. 3,793.01**	**Rs. 3,634.00**	**Rs. 3,663.74**	**Rs. 3,899.98**	**US$ 87,523**
Liabilities and capital:								
Saving deposits	Rs. 209.37	Rs. 288.39	Rs. 390.89	Rs. 410.36	Rs. 532.18	Rs. 493.18	Rs. 632.48	US$ 14194
Other demand deposits	165.73	213.76	246.91	216.32	309.98	236.12	348.57	7822
Term deposits	1,275.73	1,802.95	1,806.51	1,556.80	1,178.01	1,249.02	1249.89	28,050
Total deposits	**Rs. 1,650.83**	**Rs. 2,305.10**	**Rs. 2,444.31**	**Rs. 2,183.48**	**Rs. 2,020.17**	**1,978.32**	**Rs. 2,230.94**	**US$ 50,066**
Borrowings(4)	385.22	512.56	656.48	673.24	609.47	722.24	621.28	13,943
Subordinated unsecured redeemable debenture/ bonds(5)	101.44	194.05	207.50	254.82	329.67	275.49	345.32	7,749
Preference share capital	3.50	3.50	3.50	3.50	3.50	3.50	3.50	79
Other liabilities and provisions(6)	150.84	188.24	221.45	182.64	155.01	171.61	159.19	3573
Equity capital	8.90	8.99	11.13	11.13	11.15	11.14	11.51	258
Reserves and surplus:								
Statutory reserves	20.99	28.79	39.39	48.79	58.86	48.79	60.87	1366
Special reserve	14.69	19.19	20.94	23.44	26.44	23.44	26.44	593
Capital reserves	5.53	6.74	8.01	16.19	20.63	16.19	20.63	463
Securities premium	118.18	120.15	312.47	312.92	313.51	313.03	312.18	7,006
Investment reserve account	—	—	—	—	1.16	—	1.16	26
Foreign currency translation reserve	—	(0.50)	(1.39)	4.97	(0.02)	2.91	(0.09)	(2)
Revenue & other reserves(7)	50.84	49.79	49.79	49.79	49.81	49.80	49.81	1,118
Balance in profit & loss account	2.93	9.98	24.37	28.10	34.64	47.28	57.24	1,285
Total reserves and surplus	**213.16**	**234.14**	**453.58**	**484.20**	**505.03**	**501.44**	**528.24**	**11,855**
Total liabilities and capital	**Rs. 2,513.89**	**Rs. 3,446.58**	**Rs. 3,997.95**	**Rs. 3,793.01**	**Rs. 3,634.00**	**Rs. 3,663.74**	**Rs. 3,899.98**	**US$ 87,523**
Contingent liabilities:								
Claims against bank not acknowledged as debts	Rs. 29.78	Rs. 39.12	Rs. 40.31	Rs. 32.82	Rs. 33.57	Rs. 32.42	Rs. 31.57	708
Liability for partly paid investments	0.17	0.17	0.13	0.13	0.13	0.13	0.13	3
Liability on account of outstanding forward exchange contracts(8)	918.31	1,331.56	3,071.71	2,583.67	1,660.69	1,875.35	2,175.48	48,821
Guarantees given on behalf of constituents	191.03	292.12	412.82	580.88	618.36	587.38	705.10	15,824
Acceptances, endorsements & other obligations	106.87	186.71	250.99	306.78	321.22	310.23	332.50	7,462
Currency swaps(8)	172.42	325.26	477.04	569.65	524.79	601.49	491.52	11,030
Interest rate swaps & currency options(8),(9)	2,471.92	3,791.14	7,665.29	4,146.35	4,012.14	3,861.42	4,656.32	10,4496
Other items for which ICICI Bank is contingently liable	59.84	107.74	192.54	126.55	99.94	126.63	75.84	1702
Total	**Rs. 3,950.34**	**Rs. 6,073.82**	**Rs. 12,110.83**	**Rs. 8,346.83**	**Rs. 7,270.84**	**Rs. 7,395.05**	**Rs. 8,468.46**	**US$ 190,046**
Bills for collection	**43.38**	**40.47**	**42.78**	**60.00**	**64.75**	**61.74**	**75.34**	**1,691**

(1) Includes investment in government securities issued outside India.

(2) Advances include rupee/foreign currency loans, assistance by way of securitization, loans under retail finance operations and receivables under finance leases.

(3) Other assets primarily include interest accrued but not due at period end, advances paid for capital assets, advance taxes paid, deposits for utilities, outstanding fee and other income, inter office adjustments (net debit), non-banking assets acquired in satisfaction of claims and deferred tax assets.

(4) Borrowings include call borrowings and refinance from the Reserve Bank of India, banks and other financial institutions, borrowings taken over from ICICI, bonds and debentures, commercial paper and borrowings outside India from multilateral and bilateral credit agencies, banks, institutions and consortiums.

(5) Unsecured redeemable debenture/bonds include unsecured borrowings eligible for inclusion in upper tier II, lower tier II and lower tier I capital for capital adequacy purposes included in Schedule 4 — "Borrowings". At year-end fiscal 2010, it includes application money subsequently allotted.

(6) Other liabilities and provisions include bills payable, interest accrued but not due, creditors for expenses, unclaimed refunds, brokerage and interest, proposed dividend, dividend tax thereon, inter office adjustments (net credit), general provision on standard assets as per the Reserve Bank of India norms and security deposits from clients.

(7) Revenue and other reserves at year-end fiscal 2007 is net of transition adjustment of Rs. 1.06 billion on account of first time adoption of Accounting Standard 15 (revised) on "Employee Benefits" issued by the Institute of Chartered Accountants of India.

(8) Represents notional principal amounts.

(9) Figures for fiscal 2006 do not include amount of options sold.

(10) Figures for the previous years have been reclassified to conform to the current period presentation.

Average Balance Sheet

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 are the average of daily balances except averages of foreign branches which are calculated on a monthly basis.

	Year ended March 31,								
	2008			2009			2010		
	Average balance	Interest income/ expense	Average yield/cost	Average balance	Interest income/ expense	Average yield/cost	Average balance	Interest income/ expense	Average yield/cost
	(Rupees in billions, except percentages)								
Advances	Rs. 2,037.71	Rs. 226.01	11.1%	Rs. 2,192.80	Rs. 223.24	10.2%	Rs. 1,915.39	Rs. 173.73	9.1%
Investments[1]	971.32	74.66	7.7	971.00	74.03	7.6	1,046.05	64.66	6.2
Others	279.31	7.21	2.6	272.40	13.66	5.0	298.22	18.68	6.3
Total average interest-earning assets	**3,288.34**	**307.88**	**9.4%**	**3,436.20**	**310.93**	**9.1%**	**3,259.66**	**257.07**	**7.9%**
Fixed assets	38.91	—	—	39.70	—	—	35.46	—	—
Other assets	387.14	—	—	454.66	—	—	436.17	—	—
Less: Adjustments	(38.86)	—	—	(94.72)	—	—	(158.30)	—	—
Total average assets	**Rs. 3,675.53**	**Rs. 307.88**		**Rs. 3,835.84**	**Rs. 310.93**		**Rs. 3,572.99**	**Rs. 257.07**	
Deposits	2,268.13	171.10	7.5%	2,180.14	157.85	7.2%	1,970.60	115.13	5.8%
Saving deposits	335.48	8.81	2.6	391.75	10.64	2.7	452.49	12.60	2.8
Other demand deposits	226.78	—	—	188.76	—	—	188.09	—	—
Term deposits	1,705.87	162.29	9.5	1,599.63	147.21	9.2	1,330.02	102.53	7.7
Borrowings[1]	851.15	63.74	7.5	1,069.03	69.41	6.5	1,084.27	60.80	5.6
Total average interest-bearing liabilities	**3,119.28**	**234.84**	**7.5%**	**3,249.16**	**227.26**	**7.0%**	**3,054.87**	**175.93**	**5.8%**
Capital and reserves[2]	398.07	—		496.19	—		513.76	—	
Other liabilities	197.04	—		185.21	—		162.66	—	
Less: Repurchase transactions	(38.86)	—		(94.72)	—		(158.30)	—	
Total average liabilities	**Rs. 3,675.53**	**Rs. 234.84**		**Rs. 3,835.84**	**Rs. 227.26**		**Rs. 3,572.99**	**Rs. 175.93**	

(1) Average investments and average borrowings are grossed up for average short-term repurchase transactions on Government of India securities, which are accounted for as sale and repurchase arrangements for financial reporting. Accordingly, average other assets and average other liabilities are adjusted to that extent.

(2) Excludes preference share capital.

(3) The average balances are the averages of daily balances, except averages of foreign branches which are calculated on a monthly basis.

	Six months ended September 30,					
	2009			2010		
	Average balance	Interest income/ expense	Average yield/cost(3)	Average balance	Interest income/ expense	Average yield/cost(3)
	(Rupees in billions, except percentages)					
Advances	Rs. 2,007.84	Rs. 95.79	9.5%	Rs. 1,837.33	Rs. 77.28	8.4%
Investments(1)	991.86	32.04	6.4	1,176.34	35.75	6.1
Others	334.68	10.07	6.0	246.39	8.19	6.6
Total interest-earning assets	3,334.38	137.90	8.3%	3,260.06	121.22	7.4%
Fixed assets	36.78			37.56		
Other assets(1)	475.29			419.60		
Less: Adjustments	(174.85)			(16.51)		
Total assets	**Rs. 3,671.60**	**Rs. 137.90**		**Rs. 3,700.71**	**Rs. 121.22**	
Deposits	2,050.64	66.35	6.5%	1,964.74	47.29	4.8%
Saving deposits	426.20	5.86	2.7	542.69	9.40	3.5
Other demand deposits	185.90	—	—	210.42	—	—
Term deposits	1,438.54	60.49	8.4	1,211.63	37.89	6.2
Borrowings(1)	1,101.48	31.34	5.7	1,068.73	31.97	6.0
Total interest-bearing liabilities	**3,152.12**	**97.69**	**6.2%**	**3,033.47**	**79.26**	**5.2%**
Capital and reserves(2)	511.30		—	529.80	—	—
Other liabilities(1)	183.03		—	153.95	—	—
Less: Adjustments	(174.85)			(16.51)		
Total liabilities	**Rs. 3,671.60**	**Rs. 97.69**		**Rs. 3,700.71**	**Rs. 79.26**	

(1) Average investments and average borrowings of the six months ended September 30, 2009 are grossed up for average short-term repurchase transactions on Government of India securities, which are accounted for as sale and repurchase arrangements for financial reporting. Effective April 1, 2010, market repurchase transactions with banks and financial institutions are being accounted as borrowing and lending transactions.

(2) Excludes preference share capital.

(3) Average yield and average costs for the six months ended September 30, 2009 and September 30, 2010 are annualized.

(4) The average balances are the averages of daily balances, except averages of foreign branches which are calculated on a monthly basis and averages of the erstwhile Bank of Rajasthan which are calculated as two point averages.

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,		
	2006	2007	2008	2009	2010	2009	2010	2010
	(Rupees in billions, except percentages)							(US$ in millions)
Average interest-earning assets	Rs. 1,720.57	Rs. 2,577.27	Rs. 3,288.34	Rs. 3,436.20	Rs. 3,259.66	Rs. 3,334.38	Rs. 3,260.06	US$ 73,161
Average interest-bearing liabilities	1,658.73	2,484.99	3,119.28	3,249.16	3,054.87	3,152.12	3,033.47	68,076
Average total assets	1,973.02	2,844.03	3,675.53	3,835.84	3,572.99	3,671.60	3,700.71	83,050
Average interest-earning assets as a percentage of average total assets (%)	86.5	90.6	89.5	89.6	91.2	90.8	88.1	
Average interest-bearing liabilities as a percentage of average total assets (%)	84.1	87.4	84.9	84.7	85.5	85.8	82.0	
Average interest-earning assets as a percentage of average interest-bearing liabilities (%)	102.9	103.7	105.4	105.8	106.7	105.8	107.5	
Yield[(1)] (%)	7.8	8.5	9.4	9.1	7.9	8.3	7.4	
Cost of funds[(1)] (%)	5.8	6.6	7.5	7.0	5.8	6.2	5.2	
Spread[(1)(2)] (%)	2.0	1.9	1.8	2.1	2.1	2.1	2.2	
Net interest margin[(1)(3)] (%)	2.3	2.2	2.2	2.4	2.5	2.4	2.6	

(1) 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.

(2) 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.

(3) For fiscal year 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. For fiscal years 2007, 2008, 2009 and 2010 and the six months ended September 30, 2009 and 2010, average balances are the averages of daily balances, except averages of foreign branches which are calculated on a monthly basis.

Financial Ratios

	Year ended March 31,					Six months ended September 30,	
	2006	2007	2008	2009	2010	2009	2010
	(in percentages)						
Return on average equity[(1)]	16.4%	13.4%	11.1%	7.7%	7.9%	7.5%	8.5%
Return on average assets[(2)]	1.3	1.1	1.1	1.0	1.1	1.0	1.2
Dividend payout ratio[(3)]	29.8	28.9	29.4	32.6	33.2	—	—
Cost to average assets[(4)]	2.4	2.3	2.2	1.8	1.6	1.6	1.6
Tier I capital adequacy ratio[(5)](5)	9.2	7.4	11.8	11.8	14.0	13.3	13.8
Tier II capital adequacy ratio[(5)]	4.2	4.3	2.2	3.7	5.5	4.4	6.4
Total capital adequacy ratio[(5)]	13.4	11.7	14.0	15.5	19.4	17.7	20.2
Net non-performing assets ratio[(6)]	0.71	0.98	1.49	1.96	1.87	2.19	1.37
Allowance as a percentage of gross non-performing assets[(7)]	63.7	58.4	57.3	53.5	59.5	51.7	69.0
Average net worth to total average assets[(8)]	7.8	8.2	10.2	12.7	14.3	13.8	14.3

(1) Return on average equity is the ratio of the net profit after tax to the quarterly average equity capital and reserves.

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

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

(4) Cost to average assets is the ratio of the non-interest expense excluding lease depreciation to the average assets.

(5) At March 31, 2006 and 2007, capital adequacy ratio is based on Basel I guidelines and at March 31, 2008, 2009 and 2010 and September 30, 2009 and 2010 capital adequacy ratio is based on revised Basel II guidelines. Due to revised Basel II guidelines, previous period figures are not comparable.

(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 made to the gross non-performing assets.

(8) Average net worth is quarterly average equity capital and reserves.

(9) For fiscal year 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 fiscal years 2007, 2008, 2009 and 2010 and six months ended September 30, 2009 and 2010, the average balances are the averages of daily balances, except averages of foreign branches which are calculated on a monthly basis.

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 or incorporated by reference in this offering memorandum.

Risks Relating to India and Other Economic and Market Risks

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

A slowdown in the Indian economy could adversely affect our business and our borrowers and contractual counterparties, especially if such a slowdown were to be continued and prolonged. The growth rate of India's gross domestic product, or GDP, which was 9.0% or higher in each of fiscal years 2006, 2007 and 2008, moderated to 6.7% during fiscal 2009. GDP growth recovered subsequently, reaching 7.4% during fiscal 2010, and 8.8% in the first quarter of fiscal 2011. From 2005, interest rates in the Indian economy increased significantly following monetary measures to control rising inflation, and we experienced a slowdown in disbursements of housing, automobile and other retail loans in fiscal 2007, 2008 and 2009. From October 2008, the Reserve Bank of India significantly reduced policy rates and reserve ratios in response to the global financial crisis. This also led to a decline in deposit and lending rates in the banking system. However, market interest rates remained volatile in fiscal 2010 due to the government's fiscal deficit and borrowing program. Further, inflation as measured by the Wholesale Price Index, after falling to -1.0% in June 2009, increased to 10.0% in July 2010. In response to the rising inflationary pressures and the economic recovery, the Reserve Bank of India began an exit from its accommodative monetary policy, withdrawing special liquidity measures introduced during the financial crisis and raising the repo rate by an aggregate of 150 basis points, the reverse repo rate by an aggregate of 200 basis points and the cash reserve ratio by an aggregate of 100 basis points since February 2010. Any further increase in inflation in the future, due to increases in prices of commodities such as crude oil or otherwise, may result in a further tightening of monetary policy. On June 25, 2010, the government of India announced an increase in fuel prices, including a complete deregulation of petrol prices, which may lead to an increase in inflationary pressures. The uncertainty regarding liquidity and interest rates and any increase in interest rates or reduction in liquidity could adversely impact our business. The Indian economy in general and the agriculture sector in particular may be impacted by the level and timing of monsoon rainfall, which was below average in fiscal 2010.

Further, in light of the increasing linkage of the Indian economy to other economies, the Indian economy is increasingly influenced by economic and market conditions in other countries. As a result, a recession in the United States and other countries in the developed world and a slowdown in economic growth in major emerging markets like China could have an adverse impact on economic growth in India. A slowdown in the rate of growth in the Indian economy could result in lower demand for credit and other financial products and services and higher defaults among corporate, retail and rural borrowers, which could adversely impact our business, our financial performance, our stockholders' equity, our ability to implement our strategy and the price of our notes.

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.

Since August 2007, the global financial system experienced difficult credit and liquidity conditions and disruptions leading to less liquidity, greater volatility, general widening of spreads and, in some cases, lack of price transparency on inter-bank lending rates. These adverse trends accelerated sharply following the bankruptcy filing by Lehman Brothers in September 2008, leading to a global financial and economic crisis. In the US (where this particular crisis originated), the government has been forced to bail out leading financial institutions and inject additional capital into other banks. Likewise, in several European countries, the governments have injected capital into banks and have guaranteed deposits or increased the level of deposit guarantees. More recently, several European governments have struggled to meet their sovereign debt obligations, as reflected in rating agencies' downgrades of the bonds issued by these governments. Although the proximate cause of this particular financial crisis, which is deeper than other recent financial crises, was the US residential mortgage market, investors should be aware that there is a recent history of financial crises and boom-bust cycles in multiple markets in both the emerging and developed economies which leads to risks for all financial institutions, including us. A loss of investor confidence in the financial systems of India or other markets and countries or any financial instability in India or any other market may cause increased volatility in the Indian financial markets and, directly or indirectly, adversely affect the Indian economy and financial sector, our business and our future financial performance. See also "—Risks Relating to Our Business—We have experienced rapid international growth in earlier years which has increased the complexity of the risks that we face". The recent financial crisis has had a limited direct impact on us and we have not experienced the same degree of write-downs as banks that were exposed to, or invested in, the US residential mortgage market. However, the widening of credit spreads resulted in mark-to-market and realized losses on our investment and derivative portfolios, constrained our international debt capital market borrowings and adversely impacted our profitability. We remain subject, moreover, to the risks posed by the indirect impact of the global credit crisis on the economy, some of which cannot be anticipated and the vast majority of which are not under our control. We also remain subject to counterparty risk to financial institutions that fail or are otherwise unable to meet their obligations to us.

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

Following expansionary fiscal policies and the increase in India's fiscal deficit, Standard & Poor's, an international rating agency, had revised its outlook for India's debt rating from 'Stable' to 'Negative' in February 2009 before subsequently revising it back to 'Stable' in March 2010. Any adverse revisions to India's credit ratings for domestic and international debt by international rating agencies may adversely impact our business and limit our access to capital markets and adversely impact our liquidity position. See also "—Our inability to effectively manage credit, market and liquidity risk and inaccuracy of our valuation models and accounting estimates may have an adverse effect on our earnings, capitalization, credit ratings and cost of funds".

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

India imports over 75.0% of its requirements for crude oil, which comprised over 30% of total imports in fiscal 2010. While oil prices have declined sharply from their peak levels, any sharp increases or volatility in oil prices and the pass-through of such 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. On June 25, 2010, the government of India announced an increase in fuel prices, including a complete deregulation of petrol prices, which may to lead to an increase in inflationary pressures. This could adversely affect our business including our liquidity, the quality of our assets, our financial performance, our stockholders' equity, our ability to implement our strategy and the price of our notes.

Current account deficits, including 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 current account and 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, our financial performance, our stockholders' equity and the price of our notes could be adversely affected.

Any volatility in the exchange rate and increased intervention by the Reserve Bank of India in the foreign exchange market may lead to a decline in India's foreign exchange reserves and may affect liquidity and interest rates in the Indian economy, which could adversely impact us.

The direct adverse impact of the global financial crisis on India was felt in the form of reversal of capital inflows and decline in exports, leading to pressures on the balance of payments and a sharp depreciation of the Indian rupee compared to the US dollar. Any increased intervention by the Reserve Bank of India in the foreign exchange market to control the volatility of the exchange rate may result in a decline in India's foreign exchange reserves and reduced liquidity and higher interest rates in the Indian economy, which could adversely affect our business, our future financial performance and the price of our notes.

Further, increased volatility in capital flows may also complicate monetary policy, leading to volatility in inflation and interest rates in India, which could adversely impact our business.

Natural calamities, climate change and health epidemics could adversely affect the Indian economy, or the economy of other countries where we operate, our business and the price of our notes.

India has experienced natural calamities such as earthquakes, floods and droughts in the past few years. The extent and severity of these natural disasters determine their impact on the Indian economy. In particular, climatic and weather conditions, such as the level and timing of monsoon rainfall, impact the agricultural sector which constitutes approximately 17% of India's GDP. For example, in fiscal 2003, many parts of India received significantly less than normal rainfall. As a result, the agricultural sector recorded a decline of 7.2%. While the growth rate of the agricultural sector was 10.0% in fiscal 2004, it was negligible in fiscal 2005 due to the erratic progress of the monsoon which adversely affected sowing operations for certain crops. During the third quarter of fiscal 2009, the agricultural sector recorded a decline of 0.8%. In fiscal 2010, the rainfall was below the trend level in several parts of India. Consequently, the agricultural sector recorded an increase of 0.2% during fiscal 2010. Prolonged spells of below or above normal rainfall or other natural calamities, or global or regional climate change, could adversely affect the Indian economy and our business, especially our rural portfolio. Similarly, global or regional climate change or natural calamities in other countries where we operate could affect the economies of those countries and our operations in those countries.

Health epidemics could also disrupt our business. From April 2009, there have been outbreaks of swine flu, caused by the H1N1 virus, in certain regions of the world, including India and several countries in which we operate. Any future outbreak of health epidemics may restrict the level of business activity in affected areas, which may in turn adversely affect our business.

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 which 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. Our transactions with these financial institutions expose us to credit risk in the event of default by the counterparty, which can be exacerbated during periods of market illiquidity. See also "Overview of the Indian Financial Sector". As the Indian financial system operates within an emerging market, we face 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. During September-October 2008, following the disclosure of our exposure to Lehman Brothers and other US and European financial institutions, rumors were circulated about our financial position which resulted in concerns being expressed by depositors and higher than normal transaction levels on a few days. We controlled the situation in these instances, 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, disrupt our business and, in times of market stress, undermine our financial strength.

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

Our business and customers are predominantly located in India or are related to and influenced by the Indian economy. 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, our ability to implement our strategy, and our future financial performance. Since 1991, successive Indian governments have pursued policies of economic liberalization, including significantly relaxing restrictions on the private sector and encouraging the development of the Indian financial sector. India has been governed by coalition governments for the past several years. The leadership of India and the composition of the coalition in power are subject to change, and election results are sometimes not along expected lines. It is therefore difficult to predict the economic policies that will be pursued by governments in the future. The pace of economic liberalization could change, and specific laws and policies affecting banking and finance companies, foreign investment, currency exchange and other matters affecting investment in our securities could change as well. For instance, the government of India has proposed a new direct tax code that could impact our taxation in the future, as well as the investment decisions of individuals, thereby impacting our business. The government of India has also proposed shifting to a uniform goods and service tax structure in India, which may also have an impact on the way in which we are taxed in the future. Any significant change in India's economic policies or any market volatility as a result of uncertainty surrounding India's macroeconomic policies or the future elections of its government could adversely affect business and economic conditions in India generally and our business in particular.

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, including in Mumbai, where our headquarters are located, in November 2008. These hostilities and tensions could lead to political or economic instability in India and adversely affect our business, our future financial performance, our stockholders' equity and the price of our notes.

Uncertain enforcement of civil liabilities.

We are incorporated under the laws of India and most 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 US courts judgments obtained in the US 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 banking and trading activities are 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, the quality of our loan portfolio 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. Profit on the sale of investments in fixed income securities, including government of India securities, is an important element of our profitability and is impacted by movements in market yields. A rise in yields on government securities, as has taken place since fiscal 2010, reduces our profits from this activity and the value of our fixed income portfolio. We are also exposed to interest rate risk through our treasury operations and our subsidiary, ICICI Securities Primary Dealership, which is a primary dealer in government of India securities. In our asset management business, we manage money market mutual funds whose performance is impacted by a rise in interest rates, which could adversely impact our revenues and profits from this business. 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 decrease in yield on our interest-earning assets, our net interest income and net interest margin may be adversely impacted. During fiscal 2006, 2007, 2008 and the first nine months of fiscal 2009, we experienced an increase in our term deposit costs. The tightening of liquidity and volatility in international markets following the concerns over sub-prime debt in the United States limited our access to international bond markets from the second half of fiscal 2008 and resulted in an increase in our cost of funding for our international business. Continued volatility in international markets could further constrain and increase the cost of our international market borrowings and our ability to replace maturing borrowings and fund new assets. Our subsidiaries in the United Kingdom and Canada are also exposed to similar risks. For instance, the net interest income of these subsidiaries was negatively impacted in fiscal 2009 by the faster decline in the yields on their loan portfolios, which are linked to LIBOR, relative to the cost of their funding, which comprises mainly fixed rate deposits and borrowings. Limitations on our ability to borrow from international markets affect our funding costs and our ability to grow our business. In April 2010, the Reserve Bank of India issued final guidelines on the base rate system that replaced the benchmark prime lending rate system effective July 1, 2010. The base rate system is a new system for loan pricing and its impact on future loan pricing and the alignment of rates on floating rate loans to changes in the cost of funds remains unclear.

High and increasing interest rates or greater interest rate volatility would adversely affect our ability to grow, our net interest margins, our net interest income, our income from treasury operations and the value of our fixed income securities portfolio.

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

Until fiscal 2008, we experienced rapid growth in our retail loan portfolio, including non-collateralized retail loans such as unsecured personal loans and credit card receivables. See "Business—Overview of Our Products and Services—Commercial Banking for Retail Customers". The seasoning of the loan portfolio, an adverse macroeconomic environment and challenges in recovery led to an increase in non-performing loans, especially in the non-collateralized retail loan portfolio. Following higher than anticipated credit losses and difficulties in collections, we discontinued our urban micro-banking unsecured loan product during fiscal 2008, and have, since fiscal 2009, substantially reduced the origination of unsecured personal loans, credit cards and two wheeler loans. Various factors, including a rise in unemployment, prolonged recessionary conditions, our regulators' assessment and review of our loan portfolio, 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 further increase in the level of non-performing assets on account of these retail and other loans and have a material adverse impact on the quality of our loan portfolio. The Reserve Bank of India has issued guidelines relating to the use of recovery agents by banks. Any limitation on our ability to recover outstanding receivables from customers as a result of these guidelines or otherwise may affect our collections and ability to foreclose on existing non-performing assets.

Under the directed lending norms of the Reserve Bank of India, we are required to extend 50.0% of our residual adjusted net bank credit to certain eligible sectors, which are categorized as "priority sectors". In addition to the regulations requiring us to lend a portion of our advances to the priority sectors, the Reserve Bank of India has regulations requiring us to lend a portion of our advances to weaker sections of society. See "Business—Loan Portfolio—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 enterprises, where we are less able to control the portfolio quality and where economic difficulties are likely to affect our borrowers more severely. The government in its budget for fiscal 2009 announced a debt waiver for small and marginal farmers. While the government has borne the cost of the scheme, such schemes may have an adverse impact on future debt servicing on farm loans and may lead to an increase in non-performing loans in the agricultural sector. 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. See also "Entry into new businesses or expansions of existing businesses may expose us to increased risks that may adversely affect our business." and "Business—Loan Portfolio—Directed Lending".

Following the recent global and Indian economic slowdown, we saw an increase in the volume of restructured corporate loans. Further economic challenges could result in some of our borrowers not being able to meet their restructured debt obligations, resulting in loans to such borrowers being classified as non-performing. See also "—The level of restructured loans in our portfolio may increase and the failure of our restructured loans to perform as expected could affect our business". The loan portfolio of our international branches and subsidiaries includes foreign currency loans to Indian companies for their Indian operations (as permitted by regulation) as well as for their overseas ventures, including cross-border acquisitions. This exposes us to specific additional risks including the failure of the acquired entities to perform as expected, and our inexperience in various aspects of the economic and legal framework in overseas markets. See also "—We experienced rapid international growth in earlier years which has increased the complexity of the risks that we face". Further, we expect long-term project finance to be a significant area of growth in our business going forward, and the quality of this portfolio could be adversely impacted by several factors. See "—Our loan portfolio includes long-term project finance loans, which are particularly vulnerable to completion and other risks". We may not be able to control or reduce the level of non-performing assets in our project and corporate finance portfolio.

We also securitize our loan receivables through independent special purpose vehicles from time to time. The loan pools securitized by us are generally rated by independent credit rating agencies. With respect to these transactions, we provide credit enhancements generally in the form of cash collaterals/guarantees/interest spreads. There is no guarantee that these pools will perform as per expectations. In the event that the ratings on these pools are downgraded and/or we are required to increase the credit enhancement, our profitability, reputation and our business could be adversely affected. 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 and other reconstruction companies. See "Business—Classification of Loans". There can be no assurance that Asset Reconstruction Company (India) Limited and other reconstruction companies 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, we may become subject to enhanced regulatory oversight and scrutiny, our reputation may be adversely impacted and our profitability and the price of our notes could be adversely affected.

The level of restructured loans in our portfolio may increase and the failure of our restructured loans to perform as expected could affect our business.

Our standard assets include restructured standard loans. See "Business—Classification of Loans—Restructured Loans". The recent global and Indian economic slowdown and its impact on equity and debt markets have adversely impacted the capacity utilization, profitability and cash accruals of some of our borrowers and their ability to access equity and debt financing. We have seen an increase in the level of restructured assets in fiscal 2009 and fiscal 2010, offset, in part, by upgrades of existing restructured loans based on satisfactory payment performance. A substantial increase in the level of restructured assets and the failure of these borrowers to perform as expected could adversely affect our business, our future financial performance, our stockholders' equity and the price of our notes.

Further deterioration of our non-performing asset portfolio combined with recent Reserve Bank of India requirements that all Indian banks increase their provisioning coverage as a percentage of gross non-performing assets could adversely affect our business.

There can be no assurance 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. Our retail loan portfolio experienced rapid growth between fiscal 2002 and fiscal 2007, and there is limited data on historical loss ratios in retail loans, especially in the event of an economic downturn. During the last two years we have seen an increase in non-performing assets, mainly in our non-collateralized retail loan portfolio. Further, the economic slowdown and the impact of global and Indian economic conditions on equity and debt markets have also led to an increase in the volume of restructured corporate loans, and the failure of these borrowers to perform as per the restructured terms would lead to their classification as non-performing loans. See also "—If we are not able to control the level of non-performing assets in our portfolio, our business will suffer".

At the same time, Indian banks have been required by a new Reserve Bank of India policy to increase their total provisioning coverage ratio, including floating provisions and prudential/technical write-offs, to 70% by September 30, 2010. ICICI Bank has been permitted by the Reserve Bank of India to achieve the stipulated level of provisioning coverage of 70% in a phased manner by March 31, 2011. The combination of the mandated increase in provisions, regulators' assessment of our provisions and any further deterioration or increase in our non-performing asset portfolio could lead to an adverse impact on our business, our future financial performance and the price of our notes.

We face greater 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 nation-wide credit bureau has only recently become operational in India. 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. The directed lending norms of the Reserve Bank of India require us to lend a certain proportion of our loans to "priority sectors", including agriculture and small enterprises, where we are less able to control the portfolio quality and where economic difficulties are likely to affect our borrowers more severely. Any shortfall may be required to be allocated to investments yielding sub-market returns. See "Business—Loan Portfolio—Directed Lending". Also, several of our corporate borrowers in the past 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. An economic slowdown and a general decline in business activity in India could impose further stress on these borrowers' financial soundness and profitability and thus expose us to increased credit risk. 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 stockholders' equity and the price of our notes.

In addition to credit risks, we also face additional risks as compared with banks in developed economies. We pursue our banking, insurance and other activities in India in an economy that is a developing economy with all of the risks that come with such an economy. Our activities in India are spread across a large and diverse terrain and involve employees, contractors, counterparties and customers with widely varying levels of education, financial sophistication and wealth. Although we seek to implement policies and procedures to reduce and manage marketplace risks as well as risks within our own organization, some risks remain inherent in doing business in a large, developing country. We cannot eliminate these marketplace and operational risks, which may lead to legal or regulatory actions, negative publicity or other developments that could reduce our profitability. In the aftermath of the financial crisis, regulatory scrutiny of these risks is increasing.

The increased supervisory and compliance environment in the financial sector leads to increased risks of regulatory action, whether formal or informal. In the aftermath of the financial crisis, regulators are increasingly viewing us, as well as other financial institutions, as presenting a higher risk profile than in the past, in a range of areas.

We are subject to a wide variety of banking, insurance and financial services laws, regulations and regulatory policies and a large number of regulatory and enforcement authorities in each of the jurisdictions in which we operate. Since the onset of the global financial crisis in 2007, regulators in India and in the other jurisdictions in which we operate have intensified their review and scrutiny of many financial institutions, including us. In the aftermath of the financial crisis, regulators are increasingly viewing us, as well as other financial institutions, as presenting a higher risk profile than in the past, in a range of areas. This increased review and scrutiny increases the possibility that we will face adverse legal or regulatory actions. The Reserve Bank of India and other regulators regularly review our operations, and there can be no guarantee that any regulator will agree with our internal assessments of asset quality, provisions, risk management, capital adequacy, management functioning, other measures of the safety and soundness of our operations or compliance with applicable laws, regulations or regulatory policies. Regulators may find that we are not in compliance with applicable laws, regulations or regulatory policies, or with the regulators' revised interpretations of such laws, regulations or regulatory policies, and may take formal or informal actions against us. If taken, such formal or informal actions might force us to make additional provision for our non-performing assets divest our assets, adopt new compliance programs or policies, remove personnel, reduce dividend or executive compensation or undertake other changes to our business operations. Any of these changes, if required, could reduce our profitability by restricting our operations, imposing new costs or harming our reputation. See also "—The regulatory environment for financial institutions is facing unprecedented change in the post-financial crisis environment" and "Supervision and Regulation".

In addition to oversight by the Reserve Bank of India, our insurance subsidiaries are also subject to extensive regulation and supervision by India's insurance regulators. The Insurance Regulatory and Development Authority has the authority to modify and interpret regulations regarding the insurance industry, including regulations governing products, selling commissions, solvency margins and reserving, which can also lead to additional costs or restrictions on the insurance subsidiaries' activities. Similarly, our asset management subsidiary is subject to supervision and regulation by the Securities and Exchange Board of India.

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.

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. Such actions may impact our reputation, result in adverse media reports, lead to increased or enhanced regulatory or supervisory concerns, additional costs, penalties, claims and expenses being incurred by us or impact adversely our ability to conduct business.

If we fail to manage our legal and regulatory risk in the many jurisdictions in which we operate, our business could suffer, our reputation could be harmed and we would be subject to additional legal and regulatory risks. 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 international expansion has led to increased legal and regulatory risks. Regulators in every jurisdiction in which we operate or have listed our securities 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 reputation, 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 and financial institutions, but we would expect to cooperate with any such regulatory investigation or proceeding.

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 is secured by collateral. See "Business—Classification of Loans—Non-Performing Asset Strategy". Changes in asset prices may cause the value of our collateral to decline and we may not be able to realize the full value of our collateral as a result of delays in bankruptcy and foreclosure proceedings, delays in the creation of security interests, defects or deficiencies in the perfection of collateral (including due to inability to obtain approvals that may be required from various persons, agencies or authorities), fraudulent transfers by borrowers and other factors, including depreciation in the value of the collateral and illiquid market for disposal of and volatility in the market prices for the collateral, current legislative provisions or changes thereto and past or future judicial pronouncements. Failure to recover the expected value of collateral could expose us to potential losses, which could adversely affect our future financial performance, our stockholders' equity and the price of our notes.

Our loan portfolio includes long-term project finance loans, which are particularly vulnerable to completion and other risks.

We expect significant opportunities in project finance in India and it is our strategy to grow this 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 risks of delays in regulatory approvals, environmental and social issues, 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, ICICI and 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. A slowdown in the Indian and global economy may exacerbate the risks for the projects that we have financed. 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 and the price of our notes.

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. See "Business—Loan Portfolio—Loan Concentration". In the past, certain of our borrowers have been adversely affected by economic conditions to varying degrees. Economic conditions in India and other countries may impose strains on these borrowers' ability to repay loans to us. Credit losses due to financial difficulties of these borrowers and borrower groups in the future could adversely affect our business, our financial performance, our stockholders' equity and the price of our notes.

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 to 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. In addition, unlike several developed economies, a nationwide credit bureau has only recently become operational in India. This may affect the quality of information available to us about the credit history of our borrowers, especially individuals and small businesses. As a result, our ability to effectively manage our credit risk may be adversely affected.

Commission, exchange and brokerage income and profit on foreign exchange transactions have become important elements of our profitability and market conditions could cause these income streams to decline and adversely impact our financial performance.

We earn commission, exchange and brokerage income from a variety of activities, including syndication and advisory services for corporate clients with respect to their acquisition and project financing, distribution of retail investment and insurance products, transaction banking and retail credit products. Our commission, exchange and brokerage income is therefore impacted by the level of corporate activity, the demand for retail financial products and the overall level of economic and trade activity. We also earn commission from the distribution of mutual fund and insurance products. Recent regulatory changes capping the charges for distribution of such products, and any similar regulations going forward, would impact our commission, exchange and brokerage income. Similarly, the profit on foreign exchange transactions is dependent on foreign exchange market conditions and the risk management strategies of corporate clients. Volatile market conditions may also have an adverse impact on mergers and acquisitions activity by Indian companies, affecting our fee and other incomes related to such activity. We experienced a decline in these income streams in the second half of fiscal 2009 as a result of the general decline in business activity during the global financial crisis and economic turmoil. The above factors could cause these income streams to decline in the future and adversely impact our financial performance.

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

Beginning in fiscal 2004, we began a rapid international expansion, opening banking subsidiaries in the United Kingdom, Canada and Russia and branches and representative offices in several countries. We offer retail banking products and services including remittance services across these markets primarily to non-resident Indians. We deliver products and services, including foreign currency financing and cross-border acquisition financing, to our corporate clients through our international subsidiaries and branches. We also invest in fixed income securities and derivative products with underlying Indian and international credit exposures. In Canada and the United Kingdom, we offer direct banking offerings using the Internet as the access channel. This rapid international expansion into banking in multiple jurisdictions exposes us to a 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 price risks, currency risks, interest rate risks, compliance risk, regulatory and reputational risk and operational risk. In the aftermath of the financial crisis and in light of enhanced regulations in many countries, we expect to face additional pressures and scrutiny in all of these areas and in the management of our international operations. We also face risks arising from our ability to manage inconsistent legal and regulatory requirements in the multiple jurisdictions in which we operate.

Our international banking subsidiaries are subject to regulations imposed by their respective overseas regulators, including regulations on capital and liquidity, country exposure and type of business. The loan portfolio of our international branches and subsidiaries includes foreign currency loans to Indian companies for their Indian operations (as permitted by regulation) as well as for their overseas ventures, including cross-border acquisitions. This exposes us to specific additional risks including the failure of the acquired entities to perform as expected, and our inexperience in various aspects of the economic and legal framework in overseas markets. Regulatory changes globally and in specific markets, including increased regulatory oversight following the global financial crisis, may impact our ability to execute our strategy and deliver returns on capital invested in our international subsidiaries. See also "—We are subject to legal and regulatory risk which may adversely affect our business and the price of our notes". Our overseas branches and banking subsidiaries have made investments in bonds, certificates of deposits, mortgage backed securities, treasury bills, credit derivatives and asset backed commercial paper. The global financial and economic crisis has resulted in mark-to-market and realized losses on our overseas and other subsidiaries' investment and derivative portfolios, increased the regulatory scrutiny of our international operations, constrained our international debt capital market borrowings and increased our cost of funding. If we are unable to manage these risks, our business could be adversely affected.

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 are met through short-term funding sources, primarily in the form of deposits including deposits from corporate customers and inter-bank deposits. Our customer deposits generally have a maturity of less than one year. However, a large portion of our assets 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. While we have recently significantly expanded our branch network pursuant to the Reserve Bank of India's authorizations for establishing new branches, 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. During September – October 2008, following the disclosure of our exposure to Lehman Brothers and other US and European financial institutions, rumors were circulated about our financial position which resulted in concerns being expressed by depositors and higher than normal transaction levels on a few days. 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.

Furthermore, a part of our loan and investment portfolio, comprising primarily the loan and investment portfolios of our international branches and subsidiaries, is denominated in foreign currencies, including the US dollar. Our international branches are primarily funded by debt capital market issuances and syndicated/bilateral loans, while our international subsidiaries generally raise deposits in their local markets.

Certain deposits in our Singapore and Hong Kong branches are guaranteed by the government of Singapore and the Hong Kong S.A.R. government's Exchange Fund respectively until the end of 2010. There can be no assurance that the deposits will be rolled over after this period. Volatility in the international debt markets following the concerns over sub-prime debt in the United States has constrained our international capital market borrowings. There can be no assurance that the deposit bases of our international subsidiaries will continue to grow at the current rates or that our international branches and subsidiaries will be able to obtain alternative funding from the international debt markets or other sources in a timely manner on terms acceptable to them or at all. This may adversely impact our ability to replace maturing borrowings and fund new assets. See also "— Risks Relating to India and Other Economic and Market Risks—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", "— Risks Relating to India and Other Economic and Market Risks—Financial difficulty and other problems in certain financial institutions in India could adversely affect our business and the price of our notes" and "—We have experienced rapid international growth in earlier years, which has increased the complexity of the risks that we face".

The regulatory environment for financial institutions is facing unprecedented change in the post-financial crisis environment

The global financial crisis has led to significant and unprecedented changes in the laws, regulations and regulatory policies of India and the other jurisdictions in which we operate. Changes in laws, regulations or regulatory policies, including changes in the interpretation or application of such laws, regulations and regulatory policies, may adversely affect the products and services we offer, the value of our assets or the collateral available for our loans or our business in general. Such changes may include changes with respect to capital requirement, leverage and liquidity ratios, cross-border capital flows, local lending obligations, management compensation, consumer protection and risk management, among other areas. Changes in laws, regulations and regulatory policies, or the interpretation or application thereof, have and we expect will continue to lead to enhanced regulatory oversight and scrutiny and increased compliance costs. Our ability to predict future legal or regulatory changes is limited and we may face greatly enhanced legal or regulatory burdens without advanced notice. Any such changes may result in increased expenses, operational restrictions or revisions to our business operations, which may reduce our profitability or force us to forgo potentially profitable business opportunities. See also "—The increased supervisory and compliance environment in the financial sector leads to increased risks of regulatory action, whether formal or informal. In the aftermath of the financial crisis, regulators are increasingly viewing us, as well as other financial institutions, as presenting a higher risk profile than in the past, in a range of areas".

Our inability to effectively manage credit, market and liquidity risk and inaccuracy of our valuation models and accounting estimates may have an adverse effect on our earnings, capitalization, credit ratings and cost of funds.

Our risk management strategies may not be effective because in a difficult or less liquid market environment other market participants may be attempting to use the same or similar strategies to deal with the difficult market conditions. In such circumstances, it may be difficult for us to reduce our risk positions due to the activity of such other market participants. Our derivatives businesses may expose us to unexpected market, credit and operational risks that could cause us to suffer unexpected losses or enhanced regulatory scrutiny. Severe declines in asset values, unanticipated credit events, or unforeseen circumstances that may cause previously uncorrelated factors to become correlated may create losses resulting from risks not appropriately taken into account in the development, structuring or pricing of a derivative instrument. In addition, many derivative transactions are not cleared and settled through a central clearing house or exchange, and they may not always be confirmed or settled by counterparties on a timely basis. In these situations, we are subject to heightened credit and operational risk, and in the event of a default, we may find the contract more difficult to enforce. Further, as new and more complex derivative products are created, disputes regarding the terms or the settlement procedures of the contracts could arise, which could force us to incur unexpected costs, including transaction and legal costs, and impair our ability to effectively manage our risk exposure to these products. Many of our hedging strategies and other risk management techniques have a basis in historic market behavior, and all such strategies and techniques are based to some degree on management's subjective judgment. 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 is dependent upon economic conditions, as well as upon our ability to securitize, sell, purchase or syndicate particular loans or loan portfolios. 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 and enhanced regulatory scrutiny. See also "—Further deterioration of our non-performing asset portfolio combined with recent Reserve Bank of India requirements that all Indian banks increase their provisioning coverage as a percentage of gross non-performing assets could adversely affect our business". 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 "Risks Relating to India and Other Economic and Market Risks—Any downgrading of India's debt rating by an international rating agency could adversely affect our business, our liquidity 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. Conditions in the international and Indian debt markets may adversely impact our access to financing and liquidity. 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—Risk Management—Quantitative and Qualitative Disclosures about Market Risk—Liquidity Risk".

We may seek opportunities for growth through acquisitions or be required to undertake mergers by the Reserve Bank of India and could face integration and other acquisition risks.

We may seek opportunities for growth through acquisitions or be required to undertake mergers mandated by the Reserve Bank of India under its statutory powers. In the past, the Reserve Bank of India has ordered mergers of weak banks with other banks primarily in the interest of depositors of the weak banks. While we do not currently expect to expand our international business, other than continuing to focus on growing our international deposit base and seeking India-linked business opportunities, we may in the future examine and seek opportunities for acquisitions in countries where we currently operate and in other countries.

The Bank of Rajasthan, a private sector bank, merged with us effective from the close of business on August 12, 2010. This acquisition and any future acquisitions or mergers, both Indian or international, may involve a number of risks, including the possibility of a deterioration of asset quality, financial impact of employee related liabilities, 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 rationalize operations, or develop the skills required for new businesses and markets, or unknown and known liabilities including any ongoing litigation, claims or disputes concerning such acquisition, merger, its shareholders, share capital or its legal and regulatory compliance obligations or practices, some or all of which could have an adverse effect on our business.

We and our customers are exposed to fluctuations in foreign exchange rates.

As a financial intermediary, we are exposed to exchange rate risk. See "Business—Risk Management—Quantitative and Qualitative Disclosures about Market Risk—Exchange Rate Risk". Several of our borrowers enter into derivative contracts to manage their foreign exchange risk exposures. During fiscal 2009, due to high exchange rate volatility as a result of the financial crisis, a number of clients experienced significant mark-to-market losses in derivative transactions. On a maturity or premature termination of the derivative contracts, these mark-to market losses became receivables owed to us. Some clients did not pay their derivative contract obligations to us in a timely manner, and in some cases have initiated legal proceedings challenging the validity of these contracts and their obligations to us. Any increase in such instances and any decision against us in these proceedings may have an adverse impact on our profitability and business. The failure of our borrowers to manage their exposures to foreign exchange, derivative risk, adverse movements and volatility in foreign exchange rates may adversely affect our borrowers and the quality of our exposure to our borrowers and our business volumes and profitability. In October 2008, the Reserve Bank of India issued guidelines requiring banks to classify receivables representing crystallized positive mark-to-market value of a derivative contract overdue for 90 days or more as a non-performing asset. Defaults by our clients on their derivative contracts and their subsequent classification as non-performing assets may have an adverse impact on our profitability, business and the price of our notes.

Entry into new businesses or expansions of existing businesses may expose us to increased risks that may adversely affect our business.

We experienced rapid growth in our retail loan portfolio between fiscal 2002 and fiscal 2007. See "Business—Loan Portfolio". In addition, we undertook a rural initiative designed to bring our products and services into many rural areas. This rapid growth of the retail loan business and the rural initiative exposed us to increased risks within India including higher levels of non-performing loans in our unsecured retail credit portfolio, increased operational risk, increased fraud risk and increased regulatory and legal risk. For example, during fiscal 2007, we made a provision of Rs. 0.93 billion for losses from frauds pertaining to the warehouse receipt-based financing product for agricultural credit. See also "—We are subject to legal and regulatory risk which may adversely affect our business and the price of our notes" and "—We may face greater risks than banks in developed economies".

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

Within the Indian market, we face intense competition from other commercial banks, investment banks, insurance companies and non-bank finance companies. Some Indian public and private sector banks have recently experienced higher growth, achieved better profitability and increased their market shares relative to us. Further liberalization of the Indian financial sector could lead to a greater presence or new entries of Indian and foreign banks offering a wider range of products and services, which could adversely impact our competitive environment. The government of India's budget for fiscal 2011 stated that the Reserve Bank of India is considering issuing additional banking licenses to private sector players, including to non-bank finance companies, if they meet the Reserve Bank of India's eligibility criteria. In August 2010, the Reserve Bank of India issued a discussion paper for public comment on the entry of new banks in the private sector. 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. 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.

Changes in the regulation and structure of the financial markets in India may adversely impact our business.

The Indian financial markets have in recent years experienced, and continue to experience, changes and developments aimed at reducing the cost and improving the quality of service delivery to users of financial services. In 2005, the Reserve Bank of India introduced the Real Time Gross Settlement System, an inter-bank settlement system which facilitates real time settlements primarily between banks. Recent examples of such changes include free access for a customer of any bank to ATMs of all other banks with restrictions on the amount and number of transactions. Such developments impact the profitability of banks, by reduction in float balances and fee incomes, and an increase in costs. See also "—The regulatory environment for financial institutions is facing unprecedented change in the post-financial crisis environment".

The additional capital required by our insurance subsidiaries may adversely impact our business and the price of our notes.

While our life insurance business recorded accounting profits in fiscal 2010 and the growth of our life and general insurance subsidiaries has moderated, additional capital may be required to support the insurance business. Our ability to invest additional capital in these businesses is subject to the Reserve Bank of India's regulations on capital adequacy and its para-banking guidelines that prescribe limits for our aggregate investment in financial sector enterprises. All such investments require prior approval of the Reserve Bank of India. See "Business—Insurance" and "Supervision and Regulation—Reserve Bank of India Regulation—Holding Companies". The capital requirements of our insurance subsidiaries and restrictions on our ability to capitalize them could adversely impact their growth, our future capital adequacy, our financial performance and the price of our notes.

While our insurance businesses are becoming an increasingly important part of our business, there can be no assurance of their future rates of growth or level of profitability.

Our life insurance and general insurance joint ventures are becoming an increasingly important part of our business. See "Business—Overview of Our Products and Services—Insurance". These businesses have seen sharp moderation in growth since fiscal 2009. There can be no assurance of their future rates of growth. Our life insurance business primarily comprises unit-linked life insurance and pension products. Reduction in capital market valuations and volatility in capital markets have had an adverse impact on the demand for these products. Our life insurance subsidiary is also expected to be impacted by the substantial changes in regulations specified by the Insurance Regulatory and Development Authority, effective September 1, 2010. The changes include a cap on surrender charges, a cap on charges applicable from the sixth year of policy, an increase in minimum premium paying term and the introduction of minimum guaranteed returns on pension products. The growth of our general insurance business has been adversely impacted by the deregulation of pricing on certain products, which has resulted in a reduction in premiums for those products. See also "Supervision and Regulation—Regulations Governing Insurance Companies". A slowdown in the Indian economy, further regulatory changes or customer dissatisfaction with our insurance products could adversely impact the future growth of these businesses. See also "—The regulatory environment for financial institutions is facing unprecedented change in the post-financial crisis environment". Any slowdown in these businesses and in particular in the life insurance business could have an adverse impact on our business and the price of our notes.

Our life insurance business has reported statutory losses since inception until fiscal 2009.

We and our joint venture partner have made significant investments in our life insurance joint venture, ICICI Prudential Life Insurance Company. See "Business—Overview of Our Products and Services—Insurance". As is normal in the start-up phase of any life insurance business, this business reported statutory losses from inception until fiscal 2009. Although the company achieved statutory profits during fiscal 2010, there can be no assurance that the ultimate actual profitability of the life insurance business will be in line with current assumptions and expectations. The substantial changes in regulations introduced by the Insurance Regulatory and Development Authority are likely to impact growth in business and the profitability of our life insurance business.

Actuarial experience and other factors could differ from assumptions made in the calculation of life actuarial reserves.

The assumptions our life insurance subsidiary makes in assessing its life insurance reserves may differ from what it experiences in the future. Our life insurance subsidiary derives its life insurance reserves using "best estimate" actuarial policies and assumptions. These assumptions include the assessment of the long-term development of interest rates, investment returns, the allocation of investments between equity, fixed income and other categories, mortality and morbidity rates, policyholder lapses and future expense levels. Our life insurance subsidiary monitors its actual experience of these assumptions and to the extent that it considers that this experience will continue in the longer term, it refines its long-term assumptions. Changes in any such assumptions may lead to changes in the estimates of life and health insurance reserves.

Loss reserves for our general insurance business are based on estimates as to future claims liabilities and adverse developments relating to claims could lead to further reserve additions and materially adversely affect the operation of our general insurance subsidiary.

In accordance with the general insurance industry practice and accounting and regulatory requirements, our general insurance subsidiary establishes reserves for loss and loss adjustment expenses related to its general insurance business. Reserves are based on estimates of future payments that will be made in respect of claims, including expenses relating to such claims. Such estimates are made on both a case-by-case basis, based on the facts and circumstances available at the time the reserves are established, as well as in respect of losses that have been incurred but not reported. These reserves represent the estimated ultimate cost necessary to bring all pending claims to final settlement.

Reserves are subject to change due to a number of variables which affect the ultimate cost of claims, such as changes in the legal environment, results of litigation, costs of repairs and other factors such as inflation and exchange rates and our general insurance subsidiary's reserves for environmental and other latent claims are particularly subject to such variables. The results of operations of our general insurance subsidiary depend significantly upon the extent to which its actual claims experience is consistent with the assumptions it uses in setting the prices for products and establishing the liabilities for obligations for technical provisions and claims. To the extent that its actual claims experience is less favorable than the underlying assumptions used in establishing such liabilities, it may be required to increase its reserves, which may materially adversely affect its results of operations.

Established loss reserves estimates are periodically adjusted in the ordinary course of settlement, using the most current information available to management, and any adjustments resulting from changes in reserve estimates are reflected in current results of operations. Our general insurance subsidiary also conducts reviews of various lines of business to consider the adequacy of reserve levels. Based on current information available and on the basis of internal procedures, the management of our general insurance subsidiary considers that these reserves are adequate. However, because the establishment of reserves for loss and loss adjustment expenses is an inherently uncertain process, there can be no assurance that ultimate losses will not materially exceed the established reserves for loss and loss adjustment expenses and have a material adverse effect on the results of operations of our general insurance subsidiary.

The financial results of our general insurance business could be materially adversely affected by the occurrence of catastrophe.

Portions of our general insurance subsidiary's business may cover losses from unpredictable events such as hurricanes, windstorms, monsoons, earthquakes, fires, industrial explosions, floods, riots and other man-made or natural disasters, including acts of terrorism. The incidence and severity of these catastrophes in any given period are inherently unpredictable.

Although the subsidiary monitors its overall exposure to catastrophes and other unpredictable events in each geographic region and determines its underwriting limits related to insurance coverage for losses from catastrophic events, the subsidiary generally seeks to reduce its exposure through the purchase of reinsurance, selective underwriting practices and by monitoring risk accumulation. Claims relating to catastrophes may result in unusually high levels of losses and may require additional capital to maintain solvency margins and could have a material adverse effect on our financial position or results of operations.

There is operational risk associated with the financial 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), misreporting or non-reporting with respect to statutory, legal or regulatory reporting and disclosure obligations, or operational errors, including clerical or record keeping errors or errors resulting from faulty computer or telecommunications systems. We have experienced significant growth in a fast changing environment, and management, as well as our regulators, are aware that this may pose significant challenges to the control framework. As a result of our internal evaluations, we and our regulators have noted certain areas where our processes and controls could be improved. Our growth, particularly in the rural initiative, international arena and insurance businesses exposes us to additional operational and control risks. Regulatory scrutiny of areas related to operational risk, including internal audit information, systems and data processing is increasing. The increasing size of our treasury operations, which use automated control and recording systems as well as manual checks and record keeping, exposes us to the risk of errors in control and record keeping. The increasing size of our insurance business and the complexities of the products expose us to the risk that the models set up on actuarial software to compute the actuarial liabilities and deferred acquisition cost may contain errors or may be continuously improved over a period of time. We also outsource some functions, like collections, 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 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 we are), and to the risk that our (or our 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 and insurance companies 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. There are inherent limitations to the effectiveness of any system especially of controls and procedures, including the possibility of human error, circumvention or overriding of the controls and procedures, in a fast changing environment or when entering new areas of business or expanding geographic reach. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. We are committed to continuing to implement and improve internal controls and our risk management processes, and this remains a key priority for us. If, however, we are unable to manage operational risk in India and in the other jurisdictions in which we operate, or if we are perceived as being unable to manage such risk, we may be subject to enhanced regulatory oversight and scrutiny. For a discussion of how operational risk is managed, see "Business—Risk Management—Operational Risk".

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, or by our perceived inability to properly manage fraud-related risks. Our inability or perceived inability to manage these risks could lead to enhanced regulatory oversight and scrutiny. Our rural initiative, our international growth and our expansion to new product lines such as insurance may create additional challenges with respect to managing the risk of frauds due to the increased geographical dispersion and use of intermediaries. For example, during fiscal 2007, we made a provision of Rs. 0.9 billion for losses from frauds pertaining to the warehouse receipt-based financing product for agricultural credit. See "Operating and Financial Review and Prospects—Provisions for Non-performing Assets and Restructured Loans" and "Business—Risk Management—Operational Risk". 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, our future financial performance, our stockholders' equity and the price of our notes.

System failures could adversely impact our business.

Given the large 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. We have recently launched delivery of banking services through mobile telephones. Our principal delivery channels include ATMs, call centers and the Internet. While we have procedures to monitor for and prevent system failures, and to recover from system failures in the event they occur, there is no guarantee that these procedures will successfully prevent a system failure or allow us to recover quickly from a system failure. 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 enhanced regulatory scrutiny and business and financial losses that would adversely affect the price of our notes. Regulatory scrutiny in this area is increasing.

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 the price of our notes.

We are involved in various litigations. 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 and our group companies, or our or their directors or officers, are often involved in litigations (including civil or criminal) in India and in the other jurisdictions in which we operate 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 of business 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 stockholders' equity. We estimate the probability of losses that may be incurred in connection with legal and regulatory proceedings as of the date on which our consolidated financial statements are prepared. We recognize a provision when we have a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. We determine the amount of provision based on our estimate of the amount required to settle the obligation at the balance sheet date, supplemented by our experience in similar situations. We review provisions at each balance sheet date and adjust them to reflect current estimates. In cases where the available information indicates that a loss is reasonably possible but the amount of such loss cannot be reasonably estimated, we make a disclosure to this effect in the consolidated financial statements. In certain instances, present and former employees have instituted legal and other proceedings against us alleging irregularities. When there is only a remote risk of loss, we do not recognize a provision nor do we include a disclosure in the consolidated financial statements. 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 and if our assessment of the risk changes, our view on provisions will also change.

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

Our business is growing more complex with both product line expansion into the insurance area and geographic expansion internationally and via the rural initiatives. Our continued success depends in part on the continued service of key members of our management team and our ability to continue to attract, train, motivate and retain highly qualified professionals is a key element of our strategy and we believe it to be a significant source of competitive advantage. The successful implementation of our strategy depends on the availability of skilled management, both at our head office and at each of our business units and international locations and on our ability to attract and train young professionals. In fiscal 2009, our compensation levels decreased as we did not award performance bonuses to employees. While a substantial portion of our compensation structure for middle and senior management has for several years been in the form of employee stock options, the market price of our equity shares declined significantly during the year. Depending on market and business conditions, we may decide to reduce our employee strength in certain of our businesses. The combination of these factors could adversely affect our ability to hire and retain qualified employees. If we or one of our business units or other functions fail to staff operations appropriately, or lose one or more key senior executives or qualified young professionals and fail to replace them in a satisfactory and timely manner, our business, financial condition and results of operations, including our control and operational risks, may be adversely affected. Likewise, if we fail to attract and appropriately train, motivate and retain young professionals or other talent, our business may likewise be affected. See "Business—Employees".

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. We have received approval in-principle for the listing of the notes on the Singapore Exchange. One or more of the Initial Purchasers' affiliates may 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.

Your right to receive payments on the notes is junior to certain tax and other liabilities preferred by law.

The notes will be subordinated to certain liabilities preferred by law such as claims of the government of India on account of taxes, and certain liabilities incurred in the ordinary course of our trading or banking transactions.

In particular, in the event of bankruptcy, liquidation or winding up, our assets will be available to pay obligations on the notes only after all of those of our liabilities that rank senior to these notes have been paid. In the event of bankruptcy, liquidation or winding up, there may not be sufficient assets remaining, after paying amounts relating to these proceedings, to pay amounts due on the notes.

The notes do not restrict our ability to incur additional debt, repurchase our notes or to take other actions that could negatively impact holders of the notes.

We are not restricted under the terms of the notes from incurring additional debt, including secured debt, or from repurchasing our notes except as described under "Description of the Notes—Certain Covenants—Negative Pledge". In addition, the covenants applicable to the notes do not require us to achieve or maintain any minimum financial results relating to our financial position or results of operations. Our ability to recapitalize, incur additional debt and take other actions that are not limited by the terms of the notes could have the effect of diminishing our ability to make payments on the notes and amortizing bonds when due.

If we do not satisfy our obligations under the notes, your remedies will be limited.

Payment of principal of the notes may be accelerated only in the event of certain events involving our bankruptcy, winding up or dissolution or similar events or otherwise if certain conditions have been satisfied. See "Description of the Notes—Events of Default".

If we are unable to make payments on the notes from Hong Kong and must make payments from India, including any additional amounts, we may experience delays in obtaining or be unable to obtain the necessary approvals from the Reserve Bank of India.

We are under no legal obligation to maintain liquidity at our Hong Kong branch at levels sufficient to make payments on the notes. If payment under the notes is requested directly from us in India (whether by reason of a lack of liquidity of our Hong Kong branch, acceleration, enforcement of a judgment or imposition of any restriction under the laws of Hong Kong), and payment thereunder, including any additional amounts, is to be made from India, approval from the Reserve Bank of India will be required for the remittance of funds outside India. Any such approval is within the discretion of the Reserve Bank of India and we can provide no assurance that we would in fact be able to obtain such approval upon our request. In addition, there could be significant delays in obtaining Reserve Bank of India approval.

In the event that no approvals are obtained or obtainable for the payment by us of amounts owed and payable by our Hong Kong branch through remittances from India, we may have to seek other mechanisms permitted by applicable law to effect payment of amounts due under the notes. However, we cannot assure you that other remittance mechanics permitted by applicable law will be available in the future, and even if they are available in the future, we cannot assure you that the payments due under the notes would be possible through such mechanisms.

The book-entry registration system of the notes may reduce the liquidity of any secondary market for the notes and may limit the receipt of payments by the beneficial owners of the notes.

Because transfers of interests in the global notes to be issued in the offering can be effected only through book entries at DTC with respect to the global notes to be issued in reliance on Rule 144A and only through book entries at Clearstream, Luxembourg and Euroclear in the case of the global notes to be issued in reliance on Regulation S, for the accounts of their respective participants, the liquidity of any secondary market for global notes may be reduced to the extent that some investors are unwilling to hold notes in book-entry form in the name of a DTC, Clearstream, Luxembourg, or Euroclear participant. The ability to pledge interests in the global notes may be limited due to the lack of a physical certificate. Beneficial owners of global notes may, in certain cases, experience delay in the receipt of payments of principal and interest since such payments will be forwarded by the paying agent to DTC, Clearstream, Luxembourg, or Euroclear, as applicable, who will then forward payment to their respective participants, who (if not themselves the beneficial owners) will thereafter forward payments to the beneficial owners of the interests in the global notes. In the event of the insolvency of DTC, Clearstream, Luxembourg, Euroclear or any of their respective participants in whose name interests in the global notes are recorded, the ability of beneficial owners to obtain timely or ultimate payment of principal and interest on global notes may be impaired.

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 the notes be rated at least "Baa2" by Moody's or "BBB-" by S&P. The rating addresses the likelihood of payment of principal on the relevant maturity dates of the notes. The rating also addresses 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$993,420,000 (after deducting commissions), 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, 2010, derived from our audited unconsolidated condensed financial statements prepared in accordance with Indian GAAP. For additional information, see our financial statements and accompanying schedules included elsewhere in this Offering Memorandum.

	At September 30, 2010	
	(Rupees in billions)	(US$ in millions)
Borrowings: (1)		
Short-term debt(2)	263.38	5,911
Long-term debt(3)	706.72	15,860
Total borrowings (A)	970.10	21,771
Shareholders' funds:		
Equity share capital	11.51	258
Reserves	528.24	11,855
Total equity share capital, reserves and surplus (B)	539.75	12,113
Total capitalization (A) + (B)	1,446.85	32,470
Capital adequacy: (4)		
Tier I (%)	13.79	
Tier II (%)	6.44	
Total (%)	20.23	

(1) Borrowings do not include deposits. Preference share capital of Rs. 3.50 billion is included in "Borrowings" and excluded from "Share capital" as per Reserve Bank of India guidelines.

(2) Short-term debt is debt maturing within the next one year from September 30, 2010, which includes bonds in the nature of subordinated debt (excluded from tier II capital) of Rs. 8.47 billion.

(3) Includes Rs. 336.85 billion of unsecured redeemable debentures and bonds in the nature of subordinated debt eligible for inclusion in tier I/tier II capital.

(4) Computed as per the Basel II norms as prescribed by the Reserve Bank of India.

EXCHANGE RATES

Fluctuations in the exchange rate between the Indian rupee and the US dollar will affect the US dollar equivalent of the Indian rupee price of our equity shares on the Indian stock exchanges and, as a result, will affect the market price of our notes.

In early July 1991, the government adjusted the Indian rupee downward by an aggregate of approximately 20.0% against the US dollar. The adjustment was effected as part of an economic package designed to overcome economic and foreign exchange problems. After the Indian rupee was made convertible on the current account in March 1993, it depreciated on an average annual basis at a rate of approximately 5-6% until fiscal 2003, before appreciating slightly in fiscals 2004 and 2005. The rupee depreciated against the US dollar by 2.0% during fiscal 2006. During fiscal 2007, the rupee appreciated against the US dollar by 3.1%, moving from Rs. 44.48 per US$1.00 at March 31, 2006 to Rs. 43.10 per US$1.00 at March 30, 2007. During fiscal 2008, the rupee appreciated against the US dollar by 7.1%, moving from Rs. 43.10 per US$1.00 at March 30, 2007 to Rs. 40.02 per US$1.00 at March 31, 2008, led largely by increased capital flows following strong economic growth. During fiscal 2009, following the onset of the global financial crises and decline in capital flows, the rupee depreciated against the US dollar by 27.1%, moving from Rs. 40.02 per US$1.00 at March 31, 2008 to Rs. 50.87 per US$1.00 at March 31, 2009. Given improved domestic economic conditions, during fiscal 2010, the rupee appreciated against the US dollar by 11.6% moving from Rs. 50.87 per US$1.00 at March 31, 2009 to Rs. 44.95 at March 31, 2010. During fiscal 2011 (through October 22, 2010), the rupee appreciated against the US dollar by 0.8%, moving from Rs. 44.95 per US$1.00 at March 31, 2010 to Rs. 44.59 at October 22, 2010.

The following table sets forth, for the periods indicated, certain information concerning the exchange rates between Indian rupees and US dollars. For periods prior to January 1, 2009, the exchange rates reflect the noon buying rates as reported by the Federal Reserve Bank of New York. For periods after January 1, 2009, the exchange rates reflect the exchange rates as set forth in the H.10 statistical release of the Federal Reserve Board.

Fiscal Year	Period End[1]	Average[1][2]
2006	44.48	44.20
2007	43.10	45.06
2008	40.02	40.13
2009	50.87	46.32
2010	44.95	47.18
2011 (through October 22, 2010)	44.59	45.63

Month	High	Low
March 2009	51.96	50.21
April 2009	50.48	49.55
May 2009	49.75	46.95
June 2009	48.50	46.78
July 2009	49.16	47.75
August 2009	48.90	47.27
September 2009	49.05	47.75
October 2009	47.72	46.00
November 2009	47.37	46.06
December 2009	46.85	46.00
January 2010	46.35	45.35
February 2010	46.79	45.97
March 2010	46.01	44.94
April 2010	44.79	44.10
May 2010	47.49	44.46
June 2010	47.08	45.64
July 2010	47.23	46.25
August 2010	47.02	45.70
September 2010	46.82	44.56
October 2010 (through October 22, 2010)	44.59	44.05

(1) The exchange rate at each period end and the average rate for each period differed from the exchange rates used in the preparation of our financial statements.

(2) Represents the average of the exchange rate on the last day of each month during the period.

Although certain rupee amounts in this offering memorandum have been translated into US dollars for convenience, this does not mean that the rupee amounts referred to could have been, or could be, converted into US dollars at any particular rate, the rates stated below or at all. Except as otherwise stated in this offering memorandum, all translations from rupees to US dollars are based on the exchange rate as set forth in the H.10 statistical release of the Federal Reserve Board at September 30, 2010. The Federal Reserve Bank of New York certifies this rate for customs purposes in a weekly version of the H.10 release. The exchange rate as set forth in the H.10 statistical release of the Federal Reserve Board at September 30, 2010 was Rs. 44.56 per US$1.00 and at October 22, 2010 was Rs. 44.59 per US$1.00.

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

You should read the following discussion and analysis of our financial condition and results of operations together with our audited unconsolidated financial statements and audited unconsolidated condensed financial statements. The following discussion is based on our audited unconsolidated financial statements and accompanying notes, which have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) as applicable to banks.

Executive Summary

Introduction

We are a diversified financial services group offering a wide range of banking and financial services to corporate and retail customers through a variety of delivery channels. We are the largest private sector bank in India and the second largest bank in India, in terms of total assets. Apart from banking products and services, we offer life and general insurance, asset management, securities brokering and private equity products and services through specialized subsidiaries. Our total assets at September 30, 2010 were Rs. 3,899.98 billion. Our net worth (equity share capital and reserves excluding revaluation reserve and net of intangible assets) at September 30, 2010 was Rs. 515.14 billion. During the six months ended September 30, 2010, our unconsolidated net profit was Rs. 22.62 billion compared to Rs. 19.18 billion during the six months ended September 30, 2009.

Our primary business consists of commercial banking operations for retail and corporate customers. Our commercial banking operations for retail customers consist of retail lending and deposit taking and distribution of third party investment products. We deliver our products and services through a variety of channels, including bank branches, ATMs, call centers, internet and mobile phones. We had a network of 2,501 branches and 5,722 ATMs in India at September 30, 2010. These figures include 457 deposit taking branches and 131 ATMs of the Bank of Rajasthan, an old private sector bank that merged with us with effect from the close of business on August 12, 2010. We provide a range of commercial banking and project finance products and services, including loan products, fee and commission-based products and services, deposit products and foreign exchange and derivatives products to India's leading corporations, middle market companies and small and medium enterprises. We also offer agricultural and rural banking products. We earn interest and fee income from our commercial banking operations.

In our international banking operations, our primary focus is on persons of Indian origin and Indian businesses. Our international branches and banking subsidiaries take deposits, raise borrowings and make loans primarily to Indian companies for their overseas operations as well as for their foreign currency requirements in India. They also engage in advisory and syndication activities for fund-raising by Indian companies and their overseas operations. We currently have banking subsidiaries in the United Kingdom, Canada and Russia, branches in Singapore, Dubai, Sri Lanka, Hong Kong, Qatar, the United States and Bahrain and representative offices in China, the United Arab Emirates, Bangladesh, South Africa, Malaysia, Thailand and Indonesia. Our subsidiary in the United Kingdom has established a branch in Antwerp, Belgium and a branch in Frankfurt, Germany.

Our treasury operations include maintenance and management of regulatory reserves, proprietary trading in equity and fixed income and a range of foreign exchange and derivatives products and services for corporate customers, such as forward contracts, swaps and options. We take advantage of movements in markets to earn treasury income. We also earn fees from treasury products that we offer to our customers. Our international branches and subsidiaries also have investments in credit derivatives, in bonds of non-India financial institutions and in asset backed securities.

We are also engaged in insurance, asset management, securities business and private equity fund management through specialized subsidiaries. Our subsidiaries ICICI Prudential Life Insurance Company, ICICI Lombard General Insurance Company and ICICI Prudential Asset Management Company provide a wide range of life and general insurance and asset management products and services to retail and corporate customers. ICICI Prudential Life Insurance Company was the largest private sector life insurance company in India during the six months ended September 30, 2010, with a market share of 9.9% based on new business written (on retail weighted received premium basis). ICICI Lombard General Insurance Company was the largest private sector general insurance company in India during the six months ended September 30, 2010, with a market share of 10.3% in gross written premium. ICICI Prudential Asset Management Company manages the ICICI Prudential Mutual Fund Limited, which was among the top three mutual funds in India in terms of average funds under management in September 2010 with a market share of 9.8%. We cross-sell the products of our insurance and asset management subsidiaries and other asset management companies to our retail and corporate customers. Our subsidiaries ICICI Securities Limited and ICICI Securities Primary Dealership Limited are engaged in equity underwriting and brokerage and primary dealership in government securities respectively. ICICI Securities owns icicidirect.com, a leading online brokerage platform. ICICI Securities Limited has a subsidiary in the United States, ICICI Securities Holdings Inc., which in turn has an operating subsidiary in the United States, ICICI Securities Inc., engaged in brokerage services. Our private equity fund management subsidiary ICICI Venture Funds Management Company manages funds that make private equity investments.

Business environment

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 years 2006, 2007, 2008, 2009 and 2010 is based on our audited consolidated financial statements and accompanying notes prepared in accordance with Indian GAAP. The net income and stockholders' equity are reconciled to US GAAP. For discussion of certain significant differences between Indian GAAP and US GAAP, see "Description of Certain 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, global economic developments affecting the business activities of our corporate customers, such as changes in commodity prices, and conditions in global financial markets and economic conditions in the United States and in foreign countries where we have a significant presence. For ease of understanding the following discussion of our results of operations, you should consider these macroeconomic factors and other key factors.

Trends in fiscal 2010

During fiscal 2010, India witnessed a significant revival in economic activity following the moderation in fiscal 2009. The economic recovery was evident across a wide range of sectors with the momentum increasing in the second half of fiscal 2010. Industrial activity, as reflected by the Index of Industrial Production, increased by 10.4% during fiscal 2010 as against 2.7% in fiscal 2009. The growth in the Index of Industrial Production was largely driven by the manufacturing sector, which recorded a growth of 10.9% in fiscal 2010 compared to 3.1% in fiscal 2009.

India's gross domestic product grew by 7.4% during fiscal 2010, compared to 6.7% in fiscal 2009, led by a 10.4% growth in industry and an 8.3% growth in the services sector. However, the agricultural sector recorded a growth of only 0.2% primarily due to below normal monsoon rainfall.

Liquidity in the Indian financial system remained comfortable throughout fiscal 2010, with average liquidity adjustment facility balances (short-term lending by banks to the Reserve Bank of India) in excess of Rs. 1.00 trillion for most of the year. During the second half of fiscal 2010, inflationary pressures increased driven largely by food price inflation. Inflation as measured by the wholesale price index increased from a low of —1.0% in June 2009 to 11.0% in March 2010. In view of increasing inflationary pressures and initial signs of economic recovery, the Reserve Bank of India in its quarterly review of monetary policy in October 2009 increased the statutory liquidity ratio by 100 basis points to 25.0% and withdrew certain special liquidity facilities instituted in response to the global financial crisis. In the third quarter review of monetary policy in January 2010, the Reserve Bank of India increased the cash reserve ratio by 75 basis points from 5.0% to 5.75% in a phased manner starting in February 2010. On March 19, 2010, the Reserve Bank of India increased the benchmark repo and reverse repo rates by 25 basis points with immediate effect. The yield on the benchmark ten-year government of India securities increased from 7.01% at year-end fiscal 2009 to 7.82% at year-end fiscal 2010. The fiscal deficit (excluding oil and fertilizer bonds) has increased from 3.1% in fiscal 2008 to 6.0% in fiscal 2009 and to 6.7% in fiscal 2010 mainly due to the impact of the global financial and economic crisis, including fiscal stimulus measures in response to the financial crisis, expenditure on various government schemes and lower than targeted tax revenues.

In response to ample systemic liquidity and a low interest rate environment, scheduled commercial banks reduced their deposit rates for various maturities by 25-250 basis points during March-December 2009. The impact of the lower cost of funds for banks was also transmitted to interest rates on loans, with the benchmark prime lending rates of banks declining by 25-100 basis points during the same period. Deposit rates, however, increased by about 25 basis points in the fourth quarter of fiscal 2010 reflecting a reversal of the accommodative monetary policy stance. Despite the decrease in interest rates, credit growth remained subdued during fiscal 2010. Non-food credit growth moderated to a low of 10.1% at October 30, 2009 on a year-on-year basis, compared to 28.3% at October 31, 2008. Lower loan growth and high liquidity led to increased price competition in the banking sector and introduction of products such as home loans with lower rates in the initial years. However, credit growth gained momentum from November 2009 onwards, with year-on-year growth of 16.9% at March 26, 2010 compared to year-on-year growth of 17.5% at March 27, 2009. Banking deposits increased by 17.2% on a year-on-year basis at March 26, 2010 compared to 19.9% at March 27, 2009. Demand deposits increased by 23.4% on a year-on-year basis at March 26, 2010 compared to a decline of 0.2% at March 27, 2009.

Equity markets appreciated significantly during fiscal 2010 with the benchmark equity index, the BSE SENSEX, increasing by 80.5% to 17,528 at year-end fiscal 2010. Foreign institutional investments revived with net inflows of US$ 32.4 billion during fiscal 2010 compared to net outflows of US$ 14.0 billion in fiscal 2009. Net foreign direct investments at US$ 19.7 billion during fiscal 2010 were also higher compared to US$ 17.5 billion in net foreign direct investments during fiscal 2009. The revival in trade combined with strong capital inflows improved India's balance of payments, which recorded a surplus of US$ 13.4 billion in fiscal 2010 as compared to a deficit of US$ 20.1 billion in fiscal 2009. As a result, the rupee appreciated by 11.4% against the US dollar from Rs. 51.0 per US dollar at year-end fiscal 2009 to Rs. 44.9 per US dollar at year-end fiscal 2010 after a depreciation of 27.1% during fiscal 2009.

The recovery in economic activity and improvement in financial markets during fiscal 2010 led to a recovery in the demand for financial savings and investment products, resulting in a recovery in the life insurance and mutual fund sectors. First year retail underwritten premium in the life insurance sector increased by 16.7% (on weighted received premium basis) to Rs. 550.24 billion in fiscal 2010 compared to a decrease of 10.4% in fiscal 2009. Total assets under management (on average assets basis) of mutual funds increased by 51.5% from Rs. 4,932.85 billion in March 2009 to Rs. 7,475.25 billion in March 2010 compared to a decrease of 8.4% in March 2009 over March 2008. Until January 1, 2007, almost 70.0% of the general insurance market was subject to price controls under a tariff regime. The general insurance industry was de-tariffed with effect from January 1, 2007 resulting in reductions in premium rates and in the rate of growth of the industry. Gross premiums in the non-life insurance sector (excluding specialized insurance institutions) grew by 13.4% to Rs. 347.55 billion in fiscal 2010 compared to 9.2% growth in fiscal 2009 and 12.3% growth in fiscal 2008 with the private sector's market share at 40.9% in fiscal 2010.

Trends during the six months ended September 30, 2010

The Index of Industrial Production continued to reflect a strong revival in economic activity with a growth of 10.6% during April-August 2010 compared to a growth of 5.8% during the same period last year. However, the growth in the Index of Industrial Production has been volatile in recent months, decreasing to 5.6% in the month of August 2010, after growth of 15.2% in July 2010. During the three months ended June 30, 2010, India's gross domestic product grew by 8.8%, primarily due to an 11.4% growth in industry and a 9.4% growth in the services sector. The agricultural sector grew by 2.8% in this period. Inflation remained high, with inflation as measured by the wholesale price index reaching 8.6% in September 2010, compared to 11.0% in March 2010. Normal monsoon rains are expected to support agricultural growth.

In response to increasing inflation and a recovery in economic growth, the Reserve Bank of India continued to exit from easy monetary policy by increasing the repo rate by 100 basis points, the reverse-repo rate by 150 basis points and the cash reserve ratio by 25 basis points during the six months ended September 30, 2010. The Reserve bank of India increased the repo and reverse repo rates by an additional 25 basis points on November 2, 2010. While the yield on the benchmark 10 year government of India securities remained at the same level at the end of the six months ended September 30, 2010 compared to the year-ended March 31, 2010, it was volatile during this period, decreasing from 7.83% at March 31, 2010 to 7.55% at June 30, 2010 and increasing back to 7.84% at September 30, 2010. However, the yield on short-term government of India securities, such as two year securities, increased by 74 basis points during the six months ended September 30, 2010.

The year-on-year non-food credit growth increased to 20.1% at October 8, 2010 from 17.1% at March 26, 2010. However, deposit growth was subdued, with total deposits of the banking system increasing by 15.0% on a year-on-year basis at October 8, 2010, compared to 17.2% at March 26, 2010. Year-on-year growth in demand deposit decelerated to 15.8% at October 8, 2010 from 23.4% at March 26, 2010, while term deposit growth decreased to 14.9% at October 8, 2010, from 16.2% at March 26, 2010. With the increase in loan growth, lower growth in deposits and increase in cash reserve ratio, the liquidity in the banking system, after remaining in surplus mode for almost 18 months, became negative in June 2010 and remained tight during the latter part of the six months ended September 30, 2010. In response to an increase in repo and reverse rates and tight systemic liquidity, banks increased both deposit and lending rates during the latter part of the six months ended September 30, 2010.

Equity markets increased sharply towards the latter part of the six months ended September 30, 2010 with the BSE SENSEX increasing by 13.4%, from 17,692 at April 1, 2010 to 20,069 at September 30, 2010, after remaining at approximately at the same level between April 1, 2010 and June 30, 2010. The rupee appreciated against the US dollar by 7.4% from Rs. 48.11 per US dollar at September 30, 2009 and by 0.9% from Rs. 44.95 per US dollar at March 31, 2010 to Rs. 44.56 per US dollar at September 30, 2010 due to strong foreign capital inflows during the latter part of the six months ended September 30, 2010.

There were a number of key regulatory developments in the Indian financial sector during fiscal 2010 and the six months ended September 30, 2010:

- Banks were allowed to open offsite ATMs without prior approval of the Reserve Bank of India. Banks were allowed to open branches in tier 3 to 6 cities (cities with a population of up to 49,999) as defined on the basis of population size in the 2001 census, without the prior approval of the Reserve Bank of India.

- The Reserve Bank of India issued guidelines relating to the issuance and operation of mobile phone based payment instruments.

- The Reserve Bank of India issued a schedule for the introduction of advanced approaches for the measurement of risks (credit, market and operational) under the Basel II framework. Under this schedule, banks are permitted to apply to the Reserve Bank of India for migration to an internal models approach for market risk and the standardized approach for operational risk from April 1, 2010 and for advanced measurement approach for operational risk and internal ratings based approaches for credit risk from April 1, 2012. The Reserve Bank of India increased the capital requirements relating to securitization exposures and provided enhanced guidance on valuation adjustments for illiquid investments and derivatives. The guidelines also increased disclosure requirements for the mitigation of credit risk and securitized exposures.

- The Reserve Bank of India issued guidelines revising the method of payment of interest on savings accounts to a daily average basis effective April 1, 2010 which resulted in an increase in cost of savings deposits for banks from fiscal 2011.

- On March 30, 2010, the Reserve Bank of India issued guidelines on the classification of capital instruments on the balance sheet of banks. Banks are required to classify innovative perpetual debt instruments, hybrid debt capital instruments issued as bonds/debentures, perpetual cumulative preference shares, redeemable noncumulative preference shares, redeemable cumulative preference shares, subordinated debt as borrowings and perpetual non-cumulative preference shares as capital.

- The Reserve Bank of India issued guidelines on accounting for repo and reverse repo transactions, effective April 1, 2010 under which repo and reverse repo transactions in government securities and corporate debt securities (excluding transactions conducted under liquidity adjustment facility with the Reserve Bank of India) are reflected as borrowing and lending transactions, respectively. These transactions were earlier recorded under investments as sales and purchases, respectively.

- In December 2009, the Reserve Bank of India directed banks to achieve a total provisioning coverage ratio of 70% on non-performing advances by September 30, 2010. The provisioning requirement for advances to commercial real estate classified as standard assets was increased from 0.4% to 1.0%.

- With effect from July 1, 2010, as part of the overall reform of the banking system, the Reserve Bank of India implemented a new base rate mechanism requiring banks in India to set and publicly disclose their minimum rate or base rate for all new loans and existing loans which come up for renewal, subject to certain limited exceptions.

- In June 2009, the Securities and Exchange Board of India issued guidelines stating that mutual funds could not charge any entry charges to investors investing in mutual funds.
- In June 2010, the Insurance Regulatory and Development Authority introduced revisions to the regulations governing unit-linked insurance products such as an increase in the lock-in period from three years to five years, minimum mortality cover, cap on surrender and other charges and minimum guaranteed return of 4% on pension annuity products. These changes have been effective as of September 1, 2010.
- On September 28, 2010, the Reserve Bank of India allowed banks to engage for-profit companies registered under the Indian Companies Act, 1956, excluding non-banking financial companies, as business correspondents in addition to those individuals/entities permitted earlier.

Business Overview

While assessing our performance, we monitor key financial variables such as movement in yield on assets, cost of funds and net interest margin, movement in fee income, cost ratios, loan loss provisions and return on assets and equity. We also monitor key business indicators such as deposit growth, funding mix, loan disbursements and loan delinquency trends. We also analyze changes in economic indicators such as interest rates, liquidity and exchange rates. In addition to these financial indicators, we monitor other non-financial indicators such as quality of customer service and the extent and nature of customer complaints and estimates of market share in key product lines.

Following the merger of ICICI with ICICI Bank in 2002, we experienced rapid growth in our business. The growth of our rupee loan portfolio was driven primarily by retail loans, including home loans, vehicle loans and unsecured personal loans and credit card receivables. We also commenced our strategy of international expansion and established subsidiaries and branches in several foreign countries. The growth of our international loan portfolio was driven primarily by foreign currency financing to Indian companies and their international operations, including financing for their overseas acquisitions. We also experienced robust growth in our insurance subsidiaries. These activities led to a rapid growth in our fee incomes from both retail and corporate customers. During this period, our branch network in India continued to be limited relative to the size of our balance sheet, and while deposits were our primary source of domestic funding, we had a high share of term deposits in our total deposits, including term deposits from companies and financial intermediaries. Our international branches were funded primarily by international bond issuances and other wholesale funding sources. Our principal international subsidiaries in the United Kingdom and Canada were funded primarily by deposits. Our subsidiary in the United Kingdom had a sizeable proportion of demand deposits in its deposit base, and made investments in bonds of US and European banks and investment banks as a liquidity management strategy. During this period, we raised capital to support our growth. In fiscal 2008, we issued equity shares in India and American Depository Shares in the United States, aggregating approximately Rs. 200.00 billion.

Following the onset of the global financial crisis, although we did not have any material direct exposure to US sub-prime assets, we were adversely impacted by mark-to-market and realized losses on our international investments and credit derivatives portfolios on account of the widening of credit spreads in general. More generally, the global financial crisis impacted the Indian markets and led to reduced demand for retail savings and investment products and lower levels of corporate investment and merger and acquisition activity during the second half of fiscal 2009. This had a negative impact on our fee and other non-interest income (including dividends from subsidiaries). While we capitalized on opportunities in the fixed income markets due to a reduction in interest rates during the third quarter of fiscal 2009, our equity, fixed income and credit derivatives portfolios were negatively impacted due to weaker equity markets, volatile interest rates and a widening of credit spreads during fiscal 2009. The global and Indian economic slowdown and its impact on equity and debt markets also adversely impacted the profitability of some of our borrowers and their ability to access equity and debt financing. We experienced an increase in the level of restructured loans in fiscal 2009 and fiscal 2010. We experienced an increase in the non-performing loans in our retail portfolio in fiscal 2009 and fiscal 2010 due to the seasoning of the portfolio and a higher level of defaults in unsecured personal loans and credit card receivables due to challenges in collections and the impact of the adverse macroeconomic environment in fiscal 2009.

Given the volatile economic environment in fiscal 2009, we had focused on capital conservation, liquidity management and risk containment. We tightened our lending norms, especially in the unsecured retail segment and moderated our credit growth. We expanded our branch network with a focus on increasing our low cost and retail deposit base. At the same time, we maintained a rigorous control on operating expenses. In fiscal 2010, we focused on repositioning our balance sheet for the next phase of growth. We increased the proportion of low cost current and savings account deposits; reduced the level of net non-performing loans; continued to keep a rigorous control on operating expenses; reduced the level of unsecured retail loans and maintained a high level of capital adequacy. Our non-banking subsidiaries engaged in asset management, securities brokering and life insurance have benefited from the stabilization and improvement in economic conditions and the revival of the equity markets in India. Stabilization in markets also led to a reduction of mark-to-market losses on our fixed income and credit derivatives portfolios.

During the six months ended September 30, 2010, we further increased the proportion of low cost current and savings account deposits; reduced the level of net non-performing loans; continued to keep a rigorous control on operating expenses and maintained a high level of capital adequacy. We also resumed the growth in our loan book during the six months ended September 30, 2010. The Reserve Bank of India approved the scheme of amalgamation of the Bank of Rajasthan, a private sector bank, with us with effect from the close of business on August 12, 2010. Our results for the six months ended September 30, 2010 include the results of the Bank of Rajasthan for the period from August 13, 2010 to September 30, 2010. See also "Amalgamation of the Bank of Rajasthan Limited".

Our net profit increased by 17.9% from Rs. 19.18 billion in the six months ended September 30, 2009 to Rs. 22.62 billion in the six months ended September 30, 2010.

The increase in net profit was mainly due to a 39.9% decrease in provisions and contingencies (excluding provision for tax) from Rs. 23.95 billion in the six months ended September 30, 2009 to Rs. 14.39 billion in the six months ended September 30, 2010. The decrease in provisions and contingencies (excluding provision for tax) was primarily due to a reduction in provisions for retail non-performing loans. The decrease in provision for retail non-performing loans was primarily due to a sharp decrease in accretion to retail non-performing loans during fiscal 2010 and the six months ended September 30, 2010. Net interest income increased by 4.3% from Rs. 40.21 billion in the six months ended September 30, 2009 to Rs. 41.95 billion in the six months ended September 30, 2010.

The decrease in provisions and contingencies and increase in net interest income was partly offset by a 16.7% decrease in non-interest income from Rs. 39.14 billion in the six months ended September 30, 2009 to Rs. 32.58 billion in the six months ended September 30, 2010. The decrease in non-interest income was primarily due to a decrease in income from treasury-related activities by 72.1% from Rs. 12.63 billion in the six months ended September 30, 2009 to Rs. 3.52 billion in the six months ended September 30, 2010. The decrease in income from treasury-related activities in the six months ended September 30, 2010 was primarily due to an increase in yields on short-term government securities resulting in mark-to-market and realized losses on our government and other domestic fixed income securities portfolio. Commission, exchange and brokerage income increased by 12.4% from Rs. 23.17 billion in the six months ended September 30, 2009 to Rs. 26.04 billion in the six months ended September 30, 2010.

Total deposits increased by 12.8% from Rs. 1,978.32 billion at September 30, 2009 to Rs. 2,230.94 billion at September 30, 2010. Current and savings account deposits increased by 34.5% from Rs. 729.30 billion at September 30, 2009 to Rs. 981.05 billion at September 30, 2010 while term deposits increased marginally from Rs. 1,249.02 billion at September 30, 2009 to Rs. 1,249.89 billion at September 30, 2010. The ratio of current and savings account deposits to total deposits increased from 36.9% at September 30, 2009 to 44.0% at September 30, 2010. Total advances increased by 1.8% from Rs. 1,908.60 billion at September 30, 2009 to Rs. 1,942.01 billion at September 30, 2010. Net non-performing assets decreased by 30.0% from Rs. 45.58 billion at September 30, 2009 to Rs. 31.92 billion at September 30, 2010 and the net non-performing asset ratio decreased from 2.2% at September 30, 2009 to 1.4% at September 30, 2010.

We continued to expand our branch network in India. Our branch network in India increased from 1,509 branches and extension counters at September 30, 2009 to 2,501 branches and extension counters at September 30, 2010. We also increased our ATM network from 4,883 ATMs at September 30, 2009 to 5,722 ATMs at September 30, 2010. These include 457 deposit taking branches and 131 ATMs of the Bank of Rajasthan. In addition to the deposit taking branches, the Bank of Rajasthan has six service branches.

The total capital adequacy ratio of ICICI Bank on a stand-alone basis at September 30, 2010 in accordance with the Reserve Bank of India guidelines on Basel II increased to 20.2% with a tier I capital adequacy ratio of 13.8% from a total capital adequacy of 17.7% and tier I capital adequacy of 13.3% at September 30, 2009.

Business Outlook

The outlook for GDP growth in fiscal 2011 has improved significantly, given the broad-based and robust recovery seen since the last quarter of fiscal 2010. The prospects of growth momentum appear strong, driven by buoyant performance of the industrial sector, increased monsoon rains, and the sustained resilience of the services sector. However, the index of industrial production has been volatile in the recent months decreasing to 5.6% for the month of August 2010 after a growth of 15.2% in July 2010. Notwithstanding the volatility in the index, growth is expected to remain steady and the Reserve Bank of India has placed its GDP growth projection for fiscal 2011 at 8.5%.

While the growth outlook for fiscal 2011 remains robust, inflation has emerged as an area of concern. Headline inflation has remained close to double digits in fiscal 2011. The fiscal deficit continues to remain high which, while not a concern in the short term, may lead to macroeconomic risks ranging from higher inflation to lower savings and the crowding out of private investment. In the banking system, growth in low cost savings and current account deposits is likely to be lower in fiscal 2011 compared to fiscal 2010 given a deceleration in demand deposit growth to 15.8% at October 8, 2010 from 23.4% at March 26, 2010.

We see favorable prospects for the Indian economy over the long-term. India's strong domestic consumption and investment drivers are expected to continue to support healthy rates of growth. Against this backdrop, we expect increasing household incomes and consumption to lead to opportunities in retail savings, investment and loan products; significant industrial and infrastructure investment potentially leading to opportunities in project and corporate finance; and increasing globalization of India leading to opportunities in international banking for Indian corporates and non-resident Indians.

Over the last two years, we have rebalanced our deposit profile, reduced costs, reduced net non-performing loans and maintained high levels of capital adequacy. Our successful execution of this phase of our strategy has coincided with the strengthening of the economic growth momentum in India, which creates an environment with opportunities for growth. Our objective going forward is to leverage our capital base for profitable growth, while sustaining the improvements in the ratio of current and savings account deposits, cost ratios and credit quality that we have achieved since fiscal 2010. As we grow our businesses, meeting customer expectations on service quality will be a critical element of our strategy.

We believe that as a diversified financial services group we are well positioned to capitalize on these opportunities. However, the success of our strategy depends on several factors, including our ability to grow our low cost deposit base; grow our loan book profitably; contain non-performing loans; maintain regulatory compliance in an evolving regulatory environment and address regulators' assessments of and observations on our operations; and compete effectively in the Indian corporate and retail financial services market. The success of our strategy is also subject to the overall regulatory and policy environment in which we operate including the direction of monetary policy. In fiscal 2011, between April and November 2010 (up to November 2, 2010), the Reserve Bank of India announced a 25 basis point increase in the cash reserve ratio to 6.0%, a 125 basis point increase in the repo rate to 6.25% and a 175 basis point increase in the reverse repo rate to 5.25%. Profit on the sale of investments in fixed income securities, including government of India securities, is an important element of our profitability and is impacted by movement in market yields. With the increase in loan growth and an increase in the cash reserve ratio and repo and reverse repo rates, liquidity is expected to remain tight, and deposit and lending rates are expected to continue to increase during the second half of fiscal 2011. Our insurance business may also be affected by changes in insurance regulations in India. Recently the Insurance Regulatory and Development Authority introduced revisions to the regulations governing unit-linked insurance products such as an increase in the lock-in period from three years to five years, increase in minimum mortality cover, cap on surrender and other charges and minimum guaranteed return of 4% on pension annuity products. These changes may impact the growth and profitability of our life insurance business.

For a detailed discussion of risks that we face in our business please refer to "Risk Factors".

Effect of Other Acquisitions

During fiscal 2007, we entered into an all-stock merger with Sangli Bank at a share exchange ratio of 100 shares of ICICI Bank for 925 shares of Sangli Bank. Our financial statements for fiscal 2008 include the results of the operations of Sangli Bank from April 19, 2007. The value of this transaction was not material to our overall operations.

Amalgamation of the Bank of Rajasthan Limited

On May 23, 2010, the Board of Directors of ICICI Bank and the Board of Directors of the Bank of Rajasthan, a private sector Indian bank, at their respective meetings approved an all-stock amalgamation of the Bank of Rajasthan with ICICI Bank at a share exchange ratio of 25 shares of ICICI Bank for 118 shares of the Bank of Rajasthan. The shareholders of ICICI Bank and the Bank of Rajasthan approved the scheme of amalgamation at their respective extra-ordinary general meetings on June 21, 2010. The Reserve Bank of India approved the scheme of amalgamation with effect from close of business on August 12, 2010.

The amalgamation has substantially enhanced our branch network and especially strengthened our presence in northern and western India. It combines the Bank of Rajasthan's branch franchise with ICICI Bank's strong capital base, to enhance the ability of the combined entity to capitalize on the growth opportunities in the Indian economy. We have issued 31.3 million shares representing 2.8% of our shares to shareholders of the Bank of Rajasthan in August 2010. 2.9 million equity shares have been kept in abeyance pending civil appeal and regulatory direction, which have been included in our paid-up capital. The total assets of the Bank of Rajasthan represented 4.0% of total assets of ICICI Bank at August 12, 2010. At August 12, 2010, the Bank of Rajasthan had total assets of Rs. 155.96 billion, deposits of Rs. 134.83 billion, current and savings deposits of 46.80 billion, loans of Rs. 65.28 billion and investments of Rs. 70.96 billion. This is reflected in our results for September 30, 2010 as discussed below. During fiscal 2010, the Bank of Rajasthan had incurred a loss of Rs. 1.02 billion. See also "Financial statements of ICICI Bank Limited (Unconsolidated) for the six months ended September 30, 2010".

Introduction of the Base Rate System

Historically, interest rates on loans were linked to a prime lending rate of banks. With effect from July 1, 2010, as part of the overall reform of the banking system, the Reserve Bank of India implemented a new base rate system requiring banks in India to set and publicly disclose their minimum rate or base rate for all new loans and existing loans which come up for renewal, subject to certain limited exceptions. While existing loans based on the benchmark prime lending rate system will continue to be linked to the benchmark prime lending rate until their maturity, existing borrowers would be given an option to migrate to the base rate system before the expiry of existing contracts on mutually agreed terms. Except for certain categories of loans as specified by the Reserve Bank of India, banks are not allowed to lend below the base rate. Banks are required to review and, if necessary, revise their base rates at least once every quarter.

The Asset Liability Management Committee of the Bank, at its meeting on June 30, 2010, set the base rate of ICICI Bank, called "I-Base", at 7.50% with effect from July 1, 2010. The base rate was revised to 7.75% with effect from October 6, 2010.

Change in Methodology for Computing Interest Payable on Savings Deposits

The Reserve Bank of India has prescribed an interest rate of 3.50% on savings deposits. Until March 31, 2010, banks were required to pay this interest on the minimum outstanding balance in a savings deposit account between the tenth day and last day of the month. Effective April 1, 2010, the Reserve Bank of India has changed the methodology of computation of the interest payable on savings deposits. Banks are now required to pay interest on the daily average balance maintained in a savings deposit account. This change in methodology has resulted in an increased effective interest rate on savings account deposits for Indian banks and has adversely impacted our and other Indian banks' net interest margin.

The Six Months Ended September 30, 2010 Compared to the Six Months Ended September 30, 2009

Net Interest Income

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

	Six months ended September 30,			
	2009	2010	2010	2010/2009 % change
	(in millions, except percentages)			
Interest income	Rs. 137,903.8	Rs. 121,216.4	US$ 2,720	(12.1)%
Interest expense	(97,690.5)	(79,262.1)	(1,778)	(18.9)%
Net interest income	Rs. 40,213.3	Rs. 41,954.3	US$ 942	4.3%

Net interest income increased by 4.3% from Rs. 40.21 billion in the six months ended September 30, 2009 to Rs. 41.95 billion in the six months ended September 30, 2010 reflecting a 16 basis point increase in net interest margin from 2.41% in the six months ended September 30, 2009 to 2.57% in the six months ended September 30, 2010, partly offset by a 2.2% decrease in the average volume of interest-earning assets.

Net interest margin

Net interest margin increased by 16 basis points from 2.41% in the six months ended September 30, 2009 to 2.57% in the six months ended September 30, 2010.

The yield on interest-earning assets decreased by 83 basis points from 8.25% in the six months ended September 30, 2009 to 7.42% in the six months ended September 30, 2010. The key factors impacting the yield on interest-earning assets were:

Yield on advances decreased from 9.52% in the six months ended September 30, 2009 to 8.39% in the six months ended September 30, 2010, primarily due to a reduction in our prime lending rate by 100 basis points, from 16.75% to 15.75%, and a reduction in the floating reference rate applicable to our floating rate home loans by 100 basis points from 13.75% to 12.75%, effective June 5, 2009, which was only partly reflected in the six months ended September 30, 2009 and fully reflected in the six months ended September 30, 2010. The reduction in rates was in response to abundant systemic liquidity and a low interest rate environment due to which banks reduced their deposit and lending during March-December 2009. Lower loan growth and high liquidity also led to increased price competition for new business and introduction of products such as home loans with lower rates in the initial years of such loans.

The proportion of high yielding unsecured retail loans in our loan portfolio declined as a result of our conscious strategy of reducing our exposure to this asset class.

Yield on average interest-earning investments decreased by 38 basis points from 6.44% in the six months ended September 30, 2009 compared to 6.06% in the six months ended September 30, 2010, primarily due to a decrease in yield on investments in government. This was offset, in part, by an increase in yield on other interest-earning investments. The yield on average interest-earning investments, other than investments in government securities, increased from 5.80% in the six months ended September 30, 2009 to 6.10% in the six months ended September 30, 2010, primarily due to an increase in investment in credit substitutes like corporate bonds and debentures, certificate of deposits and commercial paper. We continue to invest in liquid mutual funds to deploy excess liquidity.

The Reserve Bank of India increased the cash reserve ratio by 75 basis points to 5.75% during fiscal 2010 and further by 25 basis points to 6.00% in the six months ended September 30, 2010. As cash reserve ratio balances do not earn any interest income, the increase in requirement resulted in a negative impact on yield on interest-earning assets.

We earn interest on income tax refunds which amounted to Rs. 0.84 billion in the six months ended September 30, 2010 compared to Rs. 0.72 billion in the six months ended September 30, 2009. The receipt, amount and timing of such income depends on the nature and timing of determinations by tax authorities and is not consistent or predictable.

We deduct losses related to the securitization of assets (including credit losses on existing securitized pools) from our interest income. The amount of such losses was Rs. 2.21 billion in the six months ended September 30, 2010 compared to Rs. 2.29 billion in the six months ended September 30, 2009. See also "Critical Accounting PoliciesTransfer and Servicing of Assets".

The cost of funds decreased by 97 basis points from 6.18% in the six months ended september 30, 2009 to 5.21% in the six months ended September 30, 2010. The decrease in the cost of funds was due to a decline in interest rates in the Indian economy, a higher proportion of low cost current and savings deposits and a reduction in our wholesale term deposits. The proportion of current and savings accounts deposits to the total deposits increased from 36.9% at September 30, 2009 to 44.0% at September 30, 2010. As a result of the above, the cost of deposits decreased to 4.80% in the six months ended September 30, 2010 compared to 6.45% in the six months ended September 30, 2009.

The six month LIBOR, which is generally the benchmark for our foreign currency loans and borrowings, also decreased in the six months ended September 30, 2010 compared to the six months ended September 30, 2009, which led to a decrease in both the yield on and cost of funds of the foreign currency portfolio.

The Reserve Bank of India prescribes a rate of 3.5% on savings deposits and the methodology of computing the interest. Until March 31, 2010, banks were required to pay interest on the minimum outstanding balance in a savings account between the tenth and last day of the month. Accordingly, the effective cost of savings deposits for banks was much less than the prescribed rate of 3.5%. Effective April 1, 2010, the interest is paid on the average balance in a savings account which will adversely impact the net interest margin of Indian banks including us. Our cost of savings account deposits for fiscal 2010 was 2.8% which has increased to 3.5% from April 1, 2010.

Interest-earning assets

The average volume of interest-earning assets decreased by 2.2% from Rs. 3,334.38 billion in the six months ended September 30, 2009 to Rs. 3,260.67 billion in the six months ended September 30, 2010. The decrease in average interest-earning assets was primarily on account of a decrease in average advances by Rs. 170.50 billion and decrease in call and term money lent by Rs. 105.37 billion, offset, in part, by an increase in average interest-earning investments.

Average advances decreased by 8.5% from Rs. 2,007.84 billion in the six months ended September 30, 2009 to Rs. 1,837.04 billion in the six months ended September 30, 2010, mainly due to a decrease in retail advances. Retail advances (excluding net retail portfolio of the Bank of Rajasthan and dealer financing and developer financing) decreased by 17.2% from Rs. 836.70 billion at September 30, 2009 to Rs. 692.81 billion at September 30, 2010. The decrease in retail advances was due to a moderation in new retail loan disbursements and contractual repayments and prepayments on the existing portfolio. In US dollar terms, the net advances of overseas branches increased marginally by 1.9% from US$ 10.6 billion at September 30, 2009 to US$ 10.8 billion at September 30, 2010. In rupee terms, the net advances of overseas branches decreased by 4.2% from Rs. 507.80 billion at September 30, 2009 to Rs. 486.66 billion at September 30, 2010, mainly due to the impact of rupee appreciation.

Average interest-earning investments increased by 18.6% from Rs. 991.86 billion in the six months ended September 30, 2009 to Rs. 1,176.34 billion in the six months ended September 30, 2010. Average interest-earning investments in government and other approved securities increased from Rs. 708.60 billion in the six months ended September 30, 2009 to Rs. 769.02 billion in the six months ended September 30, 2010. Average investments in government and other approved securities increased due to a increase of 100 basis points in the statutory liquidity ratio requirement from 24.0% to 25.0% in October 2009 and an increase in domestic net demand and time liabilities from Rs. 2,257.62 billion at end-September 2009 to Rs. 2,434.05 billion at end-September 2010. Average interest-earning investments, other than investments in government and other approved securities, increased by 43.8% from Rs. 283.26 billion in the six months ended September 30, 2009 to Rs. 407.32 billion in the six months ended September 30, 2010. Average interest-earning investments, other than government securities and other approved securities primarily include the investments in corporate bonds, certificates of deposits, commercial paper, Rural Infrastructure Development Fund deposits and investments in liquid mutual funds to deploy excess liquidity.

See also "Risk Factors—Risks Relating to Our Business—Our banking and trading activities are 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, the quality of our loan portfolio and our financial performance".

Non-Interest Income

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

	Six months ended September 30,			
	2009	2010	2010	2010/2009 % change
	(in millions, except percentages)			
Commission, exchange and brokerage	Rs. 23,170.0	Rs. 26,040.9	US$ 584	12.4%
Profit/(loss) on treasury-related activities (net)[1]	12,631.0	3,517.8	79	(72.1)%
Profit/(loss) on sale of land, buildings and other assets (net)	525.0	445.0	10	(15.2)%
Miscellaneous income (including lease income)	2,810.7	2,580.7	58	(8.2)%
Total non-interest income	Rs. 39,136.7	Rs. 32,584.4	US$ 731	(16.7)%

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

Non-interest income primarily includes fee and commission income, income from treasury-related activities and other miscellaneous income (including lease income). This analysis of non-interest income should be read against the backdrop of global and Indian economic developments, financial market activities, the competitive environment, client activity levels and our strategy, as detailed in earlier sections.

Non-interest income decreased by 16.7% from Rs. 39.14 billion in the six months ended September 30, 2009 to Rs. 32.58 billion in the six months ended September 30, 2010. The decrease in non-interest income was primarily due to a decrease in income from treasury-related activities and miscellaneous income (including lease income) partly offset by an increase in commission, exchange and brokerage income.

Commission, exchange and brokerage

Commission, exchange and brokerage income mainly includes loan processing and transaction banking fees from corporate and retail clients, credit card fees, appraisal and syndication fees from corporate clients and fees from the distribution of third-party retail products. Commission, exchange and brokerage income increased by 12.4% from Rs. 23.17 billion in the six months ended September 30, 2009 to Rs. 26.04 billion in the six months ended September 30, 2010. Credit demand from the corporate sector increased due to economic recovery resulting in an increase in loan processing fees and transaction banking-related fees from corporate clients. The increase in corporate fee income was partly offset by lower retail loan origination and credit card business volumes resulting in lower fee income from these products. The fee income from the credit card portfolio decreased from Rs. 3.89 billion in the six months ended September 30, 2009 to Rs. 2.66 billion in the six months ended September 30, 2010.

Profit/(loss) on treasury-related activities (net)

Income from treasury-related activities includes income from sale of investments and the revaluation of investments on account of changes in unrealized profit/(loss) in the fixed income, equity and preference share portfolio, units of venture capital and private equity funds, and security receipts issued by asset reconstruction companies. It also includes income from foreign exchange transactions, consisting of various foreign exchange and derivatives transactions, including options and swaps with clients for hedging purposes and on credit derivative instruments including credit default swaps, credit-linked notes and collateralized debt obligations. Profit from treasury-related activities decreased by 72.1% from Rs. 12.63 billion in the six months ended September 30, 2009 to Rs. 3.52 billion in the six months ended September 30, 2010. The decrease in treasury-related income in the six months ended September 30, 2010 was primarily due to mark-to-market and realized losses on our government and other domestic fixed income securities portfolio and an absence of reversal of mark-to-market provisions on our credit derivatives portfolio. This was partly offset by higher profits from our equity portfolio and lower provisions on our investment in security receipts issued by asset reconstruction companies.

Our fixed income portfolio generally benefits from declining interest rates. We took advantage of the decline in yields on government securities in the initial months of fiscal 2010 to realize gains from our fixed income portfolio. However, concerns over the fiscal deficit together with the Reserve Bank of India's gradual exit from expansionary monetary policy and inflationary pressures led to the tightening of interest rates during fiscal 2010. The yield on ten-year government of India securities, after declining in the initial months of fiscal 2010, increased by 82 basis points from 7.01% at March 31, 2009 to 7.83% at March 31, 2010. The yields remained at elevated levels during the six months ended September 30, 2010, ending at 7.84% at September 31, 2010. The yield on short-term government of India securities, such as two year securities increased by 74 basis points during the six months ended September 30, 2010. This resulted in mark-to-market and realized losses of Rs. 1.68 billion in the six months ended September 30, 2010 on our domestic government and other fixed income portfolio compared to a gain of Rs. 6.43 billion in the six months ended September 30, 2009.

Our income from foreign exchange transactions and from margins on derivatives transactions with clients decreased marginally from Rs. 3.69 billion in the six months ended September 30, 2009 to Rs. 3.43 billion in the six months ended September 30, 2010.

The BSE SENSEX increased by 13.4% during the six months ended September 30, 2010. As a result, we made a profit of Rs. 1.89 billion from our equity portfolio during the six months ended September 30, 2010 compared to Rs. 0.21 billion in the six months ended September 30, 2009.

We deal in credit derivatives instruments including credit default swaps, credit-linked notes and collateralized debt obligations. These include both funded and non-funded instruments. The notional principal amount of funded instruments at September 30, 2010 was Rs. 12.71 billion compared to Rs. 17.46 billion at September 30, 2009. The notional principal amount of non-funded instruments at September 30, 2010 was Rs. 32.35 billion compared to Rs. 36.62 billion at September 30, 2009. During the six months ended September 30, 2009, the decrease in credit spreads due to improved global market conditions had resulted in reversal of mark-to-market provisions and realized gains of Rs. 3.89 billion. There was a marginal mark-to-market loss of Rs. 0.06 billion on this portfolio in the six months ended September 30, 2010 due to an increase in spreads.

At September 30, 2010, we had an outstanding net investment of Rs. 30.95 billion in security receipts issued by asset reconstruction companies in relation to the sale of non-performing assets. In accordance with the Reserve Bank of India guidelines on "Prudential norms for classification, valuation and operation of investment portfolio by banks", all instruments received by banks, whether as consideration for transferred non-performing assets or otherwise, are classified securities. The Reserve Bank of India guidelines on the valuation and classification of securities apply to these security receipts as well. At the end of each reporting period, security receipts issued by asset reconstruction companies are valued in accordance with the guidelines applicable to such instruments, as prescribed by the Reserve Bank of India from time to time. Accordingly, in cases where the cash flows from security receipts issued by asset reconstruction companies are limited to the actual realization of the financial assets assigned to the instruments in the concerned scheme, we consider the net asset value obtained from the asset reconstruction company from time to time, for the valuation of such investments at each reporting period end and record the mark-to-market adjustment on this basis as part of our income from treasury activities. During the six months ended September 30, 2010, the mark-to-market loss on this account decreased to Rs. 0.57 billion from Rs. 1.74 billion in the six months ended September 30, 2009.

We offer various derivatives products, including options and swaps, to our clients primarily for their risk management purposes. We generally do not carry market risk on client derivatives positions as we cover ourselves in the inter-bank market. Profits or losses on account of currency movements on these transactions are borne by the clients. During fiscal 2009, due to high exchange rate volatility as a result of the financial crisis, a number of clients experienced significant mark-to-market losses in derivatives transactions. On maturity or premature termination of the derivatives contracts, these mark-to-market losses became receivables owed to us. Some clients did not pay their derivatives contract obligations to us in a timely manner and, in some instances, clients filed lawsuits to avoid payment of derivatives contract obligations entirely. In other instances, at the request of clients, we converted overdue amounts owed to us into loans and advances. In October 2008, the Reserve Bank of India issued guidelines requiring banks to classify derivatives contract receivables overdue for 90 days or more as non-performing assets. Pursuant to these guidelines, we reverse derivatives contract receivables in our income statement when they are overdue for 90 days or more. After reversal, any recovery is accounted for only on actual receipt of payment. We pursue a variety of recovery strategies to collect receivables owed in connection with derivatives contracts. These strategies include, among other approaches, set-offs against any other payables to the same client, negotiated settlements, rescheduling of obligations, the exercise of rights against collateral (if available) and legal redress. In the six months ended September 30, 2010, we reversed an amount equal to Rs. 0.06 billion relating to receivables under derivatives contracts that were overdue for more than 90 days, compared to Rs. 0.09 billion in the six months ended September 30, 2009.

Miscellaneous income (including lease income and dividend income from subsidiaries)

Miscellaneous income decreased from Rs. 2.81 billion in the six months ended September 30, 2009 to Rs. 2.58 billion in the six months ended September 30, 2010. Lease income decreased by 42.1% from Rs. 1.07 billion in the six months ended September 30 2009 to Rs. 0.62 billion in the six months ended September 30, 2010, primarily due to a reduction in leased assets. Dividend income from subsidiaries increased by 32.3% from Rs. 1.55 billion in the six months ended September 30, 2009 to Rs. 2.05 billion in the six months ended September 30, 2010.

Non-Interest Expense

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

	Six months ended September 30,			
	2009	**2010**	**2010**	**2010/2009 % change**
	(in millions, except percentages)			
Payments to and provisions for employees	Rs. 9,160.7	Rs. 11,998.5	US$ 269	31.0%
Depreciation on own property	2,547.4	2,344.4	53	(8.0)%
Other administrative expenses	16,532.5	14,918.8	335	(9.8)%
Operating expenses	28,240.6	29,261.7	657	3.6%
Direct marketing agency expenses	484.0	712.9	16	47.3%
Depreciation on leased assets	980.9	564.0	13	(42.5)%
Total non-interest expenses	Rs. 29,705.5	Rs. 30,538.6	US$ 686	2.8%

Non-interest expenses primarily include payment to and provision for employees, direct marketing agency expenses and other administrative expenses. In the six months ended September 30, 2010, non-interest expenses increased by 2.8% from Rs. 29.71 billion in the six months ended September 30, 2009 to Rs. 30.54 billion in the six months ended September 30, 2010 primarily due to an increase in payments to and provisions for employees partly offset by a decrease in other administrative expenses and a decrease in depreciation on leased assets.

Payments to and provisions for employees

Employee expenses increased by 31.0% from Rs. 9.16 billion in the six months ended September 30, 2009 to Rs. 12.00 billion in the six months ended September 30, 2010. Employee expenses increased primarily due to an annual increase in salaries and provision for payment of performance-linked bonus and retention pay during the period and increase in the employee base from 47,138 employees at September 30, 2009 to 53,697 employees at September 30, 2010 (including 3,936 employees of the Bank of Rajasthan at August 12, 2010).

Depreciation

Depreciation on owned property decreased by 8.0% from Rs. 2.55 billion in six months ended September 30, 2009 to Rs. 2.34 billion in six months ended September 30, 2010 primarily due to sale of assets of merchant acquiring business and other properties. Depreciation on leased assets decreased from Rs. 0.98 billion in the six months ended September 30, 2009 to Rs. 0.56 billion in the six months ended September 30, 2010 due to a reduction in leased assets.

Other administrative expenses

Other administrative expenses primarily include rent, taxes and lighting, advertisement and publicity, repairs and maintenance and other expenditure. Other operating expenses decreased by 9.8% from Rs. 16.53 billion in the six months ended September 30, 2009 to Rs. 14.92 billion in the six months ended September 30, 2010. The decrease in other operating expenses was primarily due to our overall cost reduction initiatives. There was a reduction in retail business expenses and expenses on account of postage and communication expenses in the six months ended September 30, 2010 which was partly offset by an increase in rent, taxes and lighting and repairs and maintenance expenses due to an increase in our branch and ATM network. The number of branches (excluding foreign branches and offshore banking units) increased from 1,509 branches at September 30, 2009 to 2,501 branches and extension counters at September 30, 2010. We also increased our ATM network from 4,883 ATMs at September 30, 2009 to 5,722 ATMs at September 30, 2010. These figures include 457 deposit taking branches and 131 ATMs of the Bank of Rajasthan.

Direct marketing agency expenses

Direct marketing agency expenses increased from Rs. 0.48 billion in the six months ended September 30, 2009 to Rs. 0.71 billion in the six months ended September 30, 2010. The decrease in direct marketing expenses was primarily due to higher retail loan disbursements. We use marketing agents, called direct marketing agents or associates, for sourcing our retail assets. We include commissions paid to these direct marketing agents in non-interest expense. In line with the Reserve Bank of India guidelines, these commissions are expensed up front and not amortized over the life of the loan.

Provisions for Restructured Loans and Non-performing Assets

We classify our loans and credit substitutes in accordance with the Reserve Bank of India guidelines into performing and non-performing assets. Further, non-performing assets are classified into substandard, doubtful and loss assets based on the criteria stipulated by the Reserve Bank of India. The Reserve Bank of India has separate guidelines for restructured loans. A fully secured standard loan can be restructured by rescheduling principal repayments and/or the interest element, but must be separately disclosed as a restructured loan in the year of restructuring. Similar guidelines apply to restructuring of sub-standard and doubtful loans. See also "Business—Classification of loans".

The following table sets forth, at the dates indicated, certain information regarding restructured loans.

	At September 30,			
	2009	2010	2010	2010/2009 % change
	(in millions, except percentages)			
Gross restructured loans	Rs. 50,960.5	Rs. 27,208.7	US$ 611	(46.6)%
Provisions for restructured loans	(2,390.5)	(1,433.1)	(32)	—
Net restructured loans	Rs. 48,570.0	Rs. 25,775.6	US$ 579	(46.9)%
Gross customer assets	Rs. 2,129,533.2	Rs. 2,411,303.3	US$ 54,114	13.2%
Net customer assets	2,077,067.1	2,335,046.5	US$ 52,402	12.4%
Gross restructured loans as a percentage of gross customer assets	2.4%	1.1%		
Net restructured loans as a percentage of net customer assets	2.3%	1.1%		

Gross restructured loans decreased by 46.6% from Rs. 50.96 billion at September 30, 2009 to Rs. 27.21 billion at September 30, 2010. Certain borrowers amounting to Rs. 1.03 billion were added to the gross restructured loans as a result of the amalgamation of the Bank of Rajasthan. After restructuring, based on the satisfactory performance of the borrower over a specified period of time (a minimum of twelve months), a restructured account is upgraded and removed from this category. During the six months ended September 30, 2010, we upgraded certain corporate borrower accounts amounting to Rs. 30.67 billion. As a result, net restructured loans as a percentage of net customer assets decreased from 2.3% at September 30, 2009 to 1.1% at September 30, 2010.

All standard restructured loans must be fully secured by tangible assets. In December 2008, the Reserve Bank of India permitted banks to undertake one-time restructuring of loans classified as real estate exposures and to undertake a second restructuring for accounts that were previously restructured, without downgrading such accounts to the non-performing category, up to June 30, 2009. The Reserve Bank of India also permitted banks to classify all eligible accounts that met the basic criteria for restructuring and which were classified as standard at September 1, 2008, as standard accounts irrespective of their subsequent asset classification. This treatment was subject to banks receiving an application from the borrower for restructuring the loan at or before year-end fiscal 2009 and to the implementation of the restructuring package within 120 days from the date of receipt of the application. During fiscal 2010, we had restructured loans aggregating Rs. 53.08 billion, including eight borrower accounts restructured for a second time up to June 30, 2009 aggregating Rs. 24.28 billion.

The following table sets forth, at the dates indicated, certain information regarding non-performing assets.

	At September 30,			
	2009	2010	2010	2010/2009 % change
	(in millions, except percentages)			
Gross non-performing assets	Rs. 93,453.6	Rs102,329.2	US$ 2,296	9.5%
Provisions for non-performing assets	(47,873.5)	(70,412.5)	US$ (1,580)	47.1%
Net non-performing assets	Rs. 45,580.1	Rs. 31,916.7	US$ 716	(30.0)%
Gross customer assets	Rs. 2,129,533.2	Rs. 2,411,303.3	US$ 54,114	13.2%
Net customer assets	2,077,067.1	2,335,046.5	52,402	12.4%
Gross non-performing assets as a percentage of gross customer assets	4.4%	4.2%		
Net non-performing assets as a percentage of net customer assets	2.2%	1.4%		

Gross non-performing assets increased by 9.5% from Rs. 93.45 billion at September 30, 2009 to Rs. 102.33 billion at September 30, 2010. The increase in gross non-performing assets outstanding at September 30, 2010 is after taking into consideration additions to gross non-performing assets of Rs. 3.92 billion arising out of the amalgamation of the Bank of Rajasthan. While there was an increase in gross non-performing assets, the net non-performing assets decreased from Rs. 45.58 billion at September 30, 2009 to Rs. 31.92 billion at September 30, 2010. The decrease in accretion to retail non-performing assets combined with the increased provision on the existing non-performing assets contributed to the decline in the net non-performing assets ratio during this period. As a percentage of net customer assets, net non-performing assets decreased from 2.2% at September 30, 2009 to 1.4% at September 30, 2010. The net non-performing loans in the retail portfolio decreased from 3.5% of net retail loans at September 30, 2009 to 2.1% of net retail loans at September 30, 2010.

We sold Rs. 7.6 billion of net non performing assets, including Rs. 7.5 billion of mortgage loans, to asset reconstruction companies in fiscal 2010. We also sold net non-performing assets of Rs. 479 million to companies, other than asset reconstruction companies in fiscal 2010. We have not sold non performing assets to asset reconstruction companies during the six months ended September 30, 2010. See also "Business—Classification of Loans—Non-Performing Asset Strategy".

The following table sets forth, for the periods indicated, the composition of provisions and contingencies, excluding provisions for tax.

	Six months ended September 30,			
	2009	2010	2010	2010/2009 % change
	(in millions, except percentages)			
Provision for investments (including credit substitutes) (net)	Rs. (388.4)	Rs. 359.7	US$ 8	—
Provision for non-performing assets	24,075.4	13,605.9	305	(43.5)%
Provision for standard assets	—	—	—	—
Others	262.5	424.0	10	61.5%
Total provisions and contingencies (excluding tax)	Rs. 23,949.5	Rs. 14,389.6	US$ 323	(39.9)%

We make provisions on standard, substandard and doubtful assets at rates prescribed by the Reserve Bank of India. Loss assets and unsecured portions of doubtful assets are provided/written off to the extent required by Reserve Bank of India guidelines. Subject to the minimum provisioning levels prescribed by the Reserve Bank of India, provisions on retail non-performing loans are made at the borrower level in accordance with our provisioning policy. The specific provisions on retail loans held by us are higher than the minimum regulatory requirement. See also "Business—Loan portfolio—Classification of loans".

Provisions and contingencies (excluding provisions for tax) decreased by 39.9% from Rs. 23.95 billion in the six months ended September 30, 2009 to Rs. 14.39 billion in the six months ended September 30, 2010, primarily due to a lower level of specific provisioning for retail non-performing loans. The decrease in specific provisioning for retail non-performing loans primarily reflects the sharp reduction in accretion to retail non-performing loans during the six months ended September 30, 2010.

In the second quarter review of monetary policy for fiscal 2010, the Reserve Bank of India directed banks to ensure that their total provisioning coverage ratio against non-performing loans is not less than 70.0% by end-September 2010. On December 1, 2009, the Reserve Bank of India issued detailed guidelines on provisioning coverage for advances by banks. In March 2010, the Reserve Bank of India permitted us to reach the stipulated provisioning coverage ratio of 70.0% in a phased manner by March 31, 2011. ICICI Bank's provisioning coverage ratio at September 30, 2010 computed as per the Reserve Bank of India guidelines was 69.0%.

During the six months ended September 30, 2010, we did not make additional general provisions on standard assets. In November 2009, the Reserve Bank of India issued guidelines reducing the general provision requirement. However, these guidelines did not permit a write-back of excess provisions already made and we therefore held a cumulative general provision of Rs. 14.80 billion (including cumulative general provision of Rs. 0.44 billion held by the Bank of Rajasthan) at September 30, 2010 compared to the general provision requirement as per the revised guidelines of Rs. 8.55 billion.

Tax Expense

The income tax expense (including wealth tax) increased by 7.4% from Rs. 6.51 billion in the six months ended September 30, 2009 to Rs. 6.99 billion in the six months ended September 30, 2010. The effective tax rate of 23.6% in the six months ended September 30, 2010 was lower compared to the effective tax rate of 25.3% in the six months ended September 30, 2009. The decrease in the effective tax rate was due to the change in mix of estimated income and tax benefits resulting from the amalgamation of the Bank of Rajasthan.

Financial Condition

Assets

The following table sets forth, at the dates indicated, the principal components of assets.

	At September 30,			
	2009	2010	2010	2010/2009 % change
	(in millions, except percentages)			
Cash and cash equivalents	Rs. 292,666.4	Rs. 348,478.1	US$ 7,821	19.1%
Investments	1,199,648.2	1,362,755.1	30,582	13.6%
Advances (net of provisions)	1,908,601.8	1,942,007.2	43,582	1.8%
Fixed assets	35,515.7	47,808.3	1,073	34.6%
Other assets	227,309.3	198,931.3	4,464	(12.5)%
Total assets	**Rs. 3,663,741.4**	**Rs. 3,899,980.0**	**US$ 87,523**	**6.4%**

Our total assets increased by 6.4% from Rs. 3,663.74 billion at September 30, 2009 to Rs. 3,899.98 billion at September 30, 2010 (including Rs. 155.96 billion of total assets of the Bank of Rajasthan at August 12, 2010), primarily due to an increase in investments and cash and cash equivalents.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, balances with the Reserve Bank of India and other banks, including money at call and on short notice. Cash and cash equivalents increased by 19.1% from Rs. 292.67 billion at September 30, 2009 to Rs. 348.48 billion at September 30, 2010. Balances with the Reserve Bank of India increased from Rs. 173.06 billion at September 30, 2009 to Rs. 197.97 billion at September 30, 2010 on account of the 100 basis points increase in the cash reserve ratio.

Investments

Total investments increased by 13.6% from Rs. 1,199.65 billion at September 30, 2009 to Rs. 1,362.76 billion at September 30, 2010 primarily due to an increase in investments in commercial paper and certificates of deposit by Rs. 84.75 billion, corporate bonds and debentures by Rs. 80.32 billion and Rural Infrastructure Development Fund deposits to compensate for directed lending requirements by Rs. 68.01 billion. Investments include Rs. 70.96 billion of investments of the Bank of Rajasthan at August 12, 2010. The investment in pass-through certificates decreased by Rs. 9.29 billion at September 30, 2010 compared to September 30, 2009. At September 30, 2010, we had an outstanding net investment of Rs. 30.95 billion in security receipts issued by asset reconstruction companies in relation to sales of non-performing assets compared to Rs. 37.26 billion at September 30, 2009.

Advances

Net advances increased by 1.8% from Rs. 1,908.60 billion at September 30, 2009 to Rs. 1,942.01 billion at September 30, 2010, primarily due to an increase in domestic corporate advances and inclusion of Rs. 65.28 billion of advances of the Bank of Rajasthan at August 12, 2010. Net retail advances (excluding net retail advances of the Bank of Rajasthan and including dealer financing and developer financing) decreased by 10.7% from Rs. 864.11 billion at September 30, 2009 to Rs. 771.41 billion at September 30, 2010. Advances of our overseas branches decreased primarily due to the impact of rupee appreciation on foreign currency denominated advances. Net advances of overseas branches (including our offshore banking unit) increased in US dollar terms by 1.9% from US$ 10.6 billion at September 30, 2009 to US$ 10.8 billion at September 30, 2010. In rupee terms, net advances of overseas branches (including our offshore banking unit) decreased by 4.2% from Rs. 507.80 billion at September 30, 2009 to Rs. 486.66 billion at September 30, 2010.

Fixed and other assets

Fixed assets increased by 34.6% from Rs. 35.52 billion at September 30, 2009 to Rs. 47.81 billion at September 30, 2010. Fixed assets include Rs. 5.15 billion of fixed assets of the Bank of Rajasthan at August 12, 2010. The increase in fixed assets was primarily due to an increase in our branch network and other offices. Other assets decreased by 12.5% from Rs. 227.30 billion at September 30, 2009 to Rs. 198.93 billion at September 30, 2010.

Liabilities and Stockholders' Equity

The following table sets forth, at the dates indicated, the principal components of liabilities and stockholders' equity.

	At March 31,			
	2009	2010	2010	2010/2009 % change
	(in millions, except percentages)			
Deposits	Rs. 1,978,320.5	Rs. 2,230,941.2	US$ 50,066	12.8%
Borrowings(1)	1,001,231.5	970,097.5	21,771	(3.1)%
Other liabilities and provisions	171,606.8	159,192.8	3,573	(7.2)%
Total liabilities	**3,151,158.8**	**3,360,231.5**	**75,409**	**6.6%**
Equity share capital	11,136.0	11,508.3	258	3.3%
Reserves and surplus	501,446.6	528,240.2	11,855	5.3%
Total liabilities (including capital and reserves)	**Rs. 3,663,741.4**	**Rs. 3,899,980.0**	**US$ 87,523**	**6.4%**

(1) Includes borrowings in the nature of capital instruments and redeemable non-cumulative preference shares.

Total liabilities (including capital and reserves) increased from Rs. 3,663.74 billion at September 30, 2009 to Rs. 3,899.98 billion at September 30, 2010. The decrease in total liabilities was primarily due to an increase in deposits and annual accretion to reserves, from profit, offset, in part, by decrease in borrowings. Deposits increased from Rs. 1,978.32 billion at September 30, 2009 to Rs. 2,230.94 billion at September 30, 2010.

Deposits

Our total deposits increased by 12.8% from Rs. 1,978.32 billion at September 30, 2009 to Rs. 2,230.94 billion at September 30, 2010. Total deposits include Rs. 134.83 billion of deposits of the Bank of Rajasthan at August 12, 2010. During fiscal 2010 and the six months ended September 30, 2010, the Bank focused on increasing the share of current and savings account deposits in total deposits and reducing the proportion of wholesale term deposits. Current and savings account deposits increased from Rs. 729.30 billion at September 30, 2009 to Rs. 981.05 billion at September 30, 2010 while term deposits increased marginally from Rs. 1,249.02 billion at September 30, 2009 to Rs. 1,249.89 billion at September 30, 2010. Current and savings account deposits include Rs. 46.80 billion of the current and savings account of the Bank of Rajasthan at August 12, 2010. The ratio of current and savings account deposits to total deposits increased from 36.9% at September 30, 2009 to 44.0% at September 30, 2010. Total deposits at September 30, 2010 constituted 69.8% of total funding (i.e. deposits and borrowings, other than preference share capital).

Borrowings

Borrowings (including redeemable non-cumulative preference shares and subordinated debt) decreased by 3.1% from Rs. 1,001.23 billion at September 30, 2009 to Rs. 970.10 billion at September 30, 2010. Borrowings include Rs. 3.98 billion of borrowings of the Bank of Rajasthan at August 12, 2010. The decrease in borrowings was primarily due to a decrease in overnight borrowings, partly offset by an increase in capital-eligible borrowings in the nature of subordinated debt. The capital-eligible borrowings in the nature of subordinated debt increased from Rs. 275.49 billion at September 30, 2009 to Rs. 345.32 billion at September 30, 2010. The appreciation of the rupee against the US dollar also led to a decrease in the level of foreign currency denominated borrowings.

The Reserve Bank of India has issued guidelines effective April 1, 2010, which require repurchase transactions (currently accounted for as sale and repurchase) to be accounted for as borrowing and lending. Borrowings at September 30, 2010 include repurchase borrowings and Collateralized Borrowing and Lending Obligation borrowings amounting to Rs. 7.00 billion.

Equity share capital and reserves

Stockholders' equity increased from Rs. 512.58 billion at September 30, 2009 to Rs. 539.75 billion at September 30, 2010 (including statutory reserve of Rs. 2.00 billion of the Bank of Rajasthan at August 12, 2010) due to allotment of shares to the shareholders of the Bank of Rajasthan and annual accretion to reserves from profit. Shareholders' equity includes statutory reserves of Rs. 2.00 billion of the Bank of Rajasthan at August 12, 2010. Excess of paid-up value of equity shares issued over the fair value of the net assets acquired and amalgamation expenses amounting to Rs. 2.18 billion have been adjusted against share premium.

Off Balance Sheet Items, Commitments and Contingencies

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

	At March 31,					At September 30,		
	2006	2007	2008	2009	2010	2009	2010	2010
	(Rupees in billions)							(US$ in millions, except per share data)
Contingent liabilities:								
Claims against the Bank not acknowledged as debts	Rs. 29.78	Rs39.12	Rs. 40.31	Rs. 32.82	Rs. 33.57	Rs. 32.42	Rs. 31.57	708
Liability for partly paid investments	0.17	0.17	0.13	0.13	0.13	0.13	0.13	3
Liability on account of outstanding forward exchange contracts(1)	918.31	1,331.56	3,071.71	2,583.67	1,660.69	1,875.35	2,175.48	48,821
Guarantees given on behalf of constituents	191.03	292.12	412.81	580.88	618.36	587.38	705.10	15,824
Acceptances, endorsements & other obligations	106.87	186.71	250.99	306.78	321.22	310.23	332.50	7,462
Currency swaps(1)	172.42	325.26	477.04	569.65	524.79	601.49	491.52	11,031
Interest rate swaps and currency options(1)	2,471.92	3,791.14	7,665.29	4,146.35	4,012.14	3,861.42	4,656.32	104,496
Other items for which bank is contingently liable	59.84	107.74	192.54	126.55	99.94	126.63	75.84	1,702
Total	**Rs. 3,950.34**	**Rs. 6,073.82**	**Rs. 12,110.82**	**Rs. 8,346.83**	**Rs. 7,270.84**	**Rs. 7,395.05**	**Rs. 8,468.46**	**US$ 190,046**

(1) Represents notional principal amount.

Contingent liabilities increased by 14.5% from Rs. 7,395.05 billion at September 30, 2009 to Rs. 8,468.46 billion at September 30, 2010, primarily due to an increase in notional amount of interest rate swaps and currency options by 20.6% from Rs. 3,861.42 billion at September 30, 2009 to Rs. 4,656.32 billion at September 30, 2010, an increase in notional principal amount of outstanding forward exchange contracts by 16.0% from Rs. 1,875.35 billion at September 30, 2009 to Rs. 2,175.48 billion at September 30, 2010 partly offset by a decrease in notional principal amount of currency swaps by 18.3% from Rs. 601.49 billion at September 30, 2009 to Rs. 491.52 billion at September 30, 2010.

We enter into foreign exchange forwards, options, swaps and other derivatives products to enable customers to transfer, modify or reduce their foreign exchange and interest rate risks and to manage our own interest rate and foreign exchange positions. We manage our foreign exchange and interest rate risk with reference to limits set by the Reserve Bank of India and our internal limits. With respect to the transactions entered into with customers, we generally enter into off-setting transactions in the inter-bank market. This results in the generation of a higher number of outstanding transactions, and hence a large value of gross notional principal of the portfolio, while the net market risk is low. The significant decrease in volumes of interest rate swaps was primarily due to pre-termination of derivative contracts with clients during fiscal 2009 on account of volatility in the currency markets. This involved pre-termination of inter-bank swap deals. There was also a significant decline in trading volumes of interest rate swaps and currency options on account of the general slowdown in corporate business in the second half of fiscal 2009.

We undertake forex and derivative transactions with our subsidiaries, associates, joint ventures and other related entities. We manage our foreign exchange and interest rate risks arising from these transactions generally by covering the same in the market. During the six months ended September 30, 2010, the net gain on derivative transactions entered into with subsidiaries was Rs. 1,557.1 million compared to a loss of Rs. 17,346.2 million during fiscal 2010 and a loss of Rs. 15,424.5 million during the six months ended September 30, 2009. There was no net gain/loss on derivative transactions entered into with associates/joint ventures/other related entities during the six months ended September 30, 2010 compared to a loss of Rs. 220.9 million during fiscal 2010 and no gain/loss during the six months ended September 30, 2009. The material transactions for the six months ended September 30, 2010 were gain of Rs. 1,530.7 million (March 31, 2010: loss of Rs. 17,913.1 million, September 30, 2009: loss of Rs. 14,893.4 million) with ICICI Bank Canada, gain of Rs. 312.7 million (March 31, 2010: gain of Rs. 495.2 million, September 30, 2009: loss of Rs. 373.4 million) with ICICI Bank UK PLC, loss of Rs. 56.2 million (March 31, 2010: gain of Rs. 215.8 million, September 30, 2009: gain of Rs. 77.1 million) with ICICI Home Finance Company Limited, gain of Rs. 14.9 million (March 31, 2010: loss of Rs. 50.7 million, September 30, 2009: loss of Rs. 18.6 million) with ICICI Securities Primary Dealership Limited and loss of Rs. 245.0 million (March 31, 2010: loss of Rs. 93.4 million, September 30, 2009: loss of Rs. 216.3 million) with ICICI Bank Eurasia Limited Liability Company.

The above amounts of net gain/loss on derivative transactions with subsidiaries, associates, joint ventures and other related entities do not include the revaluation impact of the related matured transactions, i.e., the nostro revaluation gains/losses during the period of the near leg of foreign currency swaps, which matured in the earlier period of the financial year/s. The gain/loss on forex and derivative transactions including the revaluation impact of the related matured transactions for the half year ended September 30, 2010 is reported in the disclosures of related party transactions in the notes to accounts to the financial statements, under the heading “Other Income”.

An interest rate swap does not entail the exchange of notional principal and the cash flow arises because of the difference between the interest rate pay and receive portions of the swap, which is generally much lower than the notional principal of the swap. A large proportion of interest rate swaps, currency swaps and forward exchange contracts are on account of market making, which involves providing regular two-way prices to customers or inter-bank counter-parties. This results in the generation of a higher number of outstanding transactions, and hence 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 counterparty, the net market risk of the two transactions will be zero whereas, the notional principal amount of the portfolio will be the sum of both transactions. We also deal in credit derivatives instruments including credit default swaps, credit linked notes, collateralized debt obligations and principal protected structures.

Claims against us 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 matters. Other items for which we are contingently liable include primarily the securitization, credit derivatives and repurchase obligations.

Capital Commitments

We are obligated under a number of capital contracts, which have been committed. The estimated amounts of contracts remaining to be executed on capital projects in domestic operations aggregated to Rs. 4.38 billion at September 30, 2010 compared to Rs. 5.03 billion at September 30, 2009. The contracts remaining to be executed were primarily with regard to new branches and office premises.

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 ten 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. In majority of the cases, we have collateral available to reimburse potential losses on the guarantees. Margins available to reimburse losses realized under guarantees amounted to Rs. 17.50 billion at September 30, 2010 compared to Rs. 12.39 billion at September 30, 2009. Other property or security may also be available to us to cover losses under guarantees.

The table below sets forth, for the periods indicated, the principal components of our guarantees.

	At September 30,		
	2009	2010	2010
	(Rupees in billions)		(US$ in billions)
Financial guarantees	Rs. 145.05	Rs. 168.17	US$ 3.8
Performance guarantees	414.84	536.94	12.0
Total guarantees	**Rs. 559.89**	**Rs. 705.11**	**US$ 15.8**

At September 30, 2010, total guarantees amounted to Rs. 705.11 billion comprising Rs. 168.17 billion of financial guarantees and Rs. 536.94 billion of performance guarantees.

Capital Resources

We actively manage our capital to meet regulatory norms and current and future business needs considering the risks in its businesses, expectations of rating agencies, shareholders and investors, and the available options of raising capital. Our capital management framework is administered by the Finance Group and the Global Risk Management Group under the supervision of the Board and the Risk Committee. The capital adequacy position and assessment is reported to the Board and the Risk Committee periodically.

Regulatory capital

We are subject to the capital adequacy norms stipulated by the Reserve Bank of India guidelines on Basel II, effective from year-end fiscal 2008. Prior to year-end fiscal 2008, we were subject to the capital adequacy norms as stipulated by the Reserve Bank of India guidelines on Basel I. The Reserve Bank of India guidelines on Basel II require us to maintain a minimum ratio of total capital to risk weighted assets of 9.0%, with a minimum tier I capital adequacy ratio of 6.0%. The total capital adequacy ratio of the Bank at the stand-alone level at September 30, 2010 as per the Reserve Bank of India guidelines on Basel II was 20.2% with a tier I capital adequacy ratio of 13.8%.

Under Pillar 1 of the Reserve Bank of India guidelines on Basel II, the Bank follows the standardized approach for measurement of credit and market risks and basic indicator approach for measurement of operational risk.

At September 30, 2010, we were required to maintain capital adequacy based on the higher of the minimum capital required under Basel II or at 80.0% of the minimum capital required under Basel I. The computation under Basel II guidelines results in a higher minimum capital requirement as compared to Basel I, and hence the capital adequacy at September 30, 2010 has been maintained and reported by the Bank as per Basel II guidelines.

The following table sets forth, at the dates indicated, risk-based capital, risk-weighted assets and risk-based capital adequacy ratios computed in accordance with the Reserve Bank of India guidelines on Basel I and Basel II and based on ICICI Bank's unconsolidated financial statements prepared in accordance with Indian GAAP.

	As per the Reserve Bank of India guidelines on Basel I		
	September 30, 2009	September 30, 2010	September 30, 2010
	(Rs. in millions, except percentages)		(US$ in millions)
Tier-I capital	437,821.1	454,518.3	10,200
Tier-II capital	148,076.2	221,023.5	4,960
Total capital	**585,897.3**	**675,541.8**	**15,160**
Credit Risk — Risk Weighted Assets (RWA)	2,924,133.4	3,060,849.2	68,690
Market Risk — RWA	330,622.9	454,862.1	10,208
Operational Risk — RWA	—	—	—
Total RWA	**3,254,756.3**	**3,515,711.3**	**78,898**
Tier-I capital adequacy ratio	13.45%	12.93%	
Tier-II capital adequacy ratio	4.55%	6.28%	
Total capital adequacy ratio	18.00%	19.21%	

	As per the Reserve Bank of India guidelines on Basel II		
	September 30, 2009	September 30, 2010	September 30, 2010
	(Rs. in millions, except percentages)		(US$ in millions)
Tier-I capital	431,416.9	436,547.1	9,797
Tier-II capital	141,672.0	204,021.2	4,578
Total capital	**573,088.9**	**640,568.3**	**14,375**
Credit Risk — Risk Weighted Assets (RWA)	2,744,621.7	2,651,690.9	59,508
Market Risk — RWA	260,540.1	265,443.7	5,957
Operational Risk — RWA	235,160.1	249,669.1	5,603
Total RWA	**3,240,321.9**	**3,166,803.7**	**71,068**
Tier-I capital adequacy ratio	13.32%	13.79%	
Tier-II capital adequacy ratio	4.37%	6.44%	
Total capital adequacy ratio	17.69%	20.23%	

The following key changes were introduced by the Reserve Bank of India under Pillar 1 of the Basel II guidelines during fiscal 2010 and the six months ended September 30, 2010:

- The Reserve Bank of India issued a clarification on July 1, 2009 that the special reserve (created by banks under Section 36(1) (viii) of the Income Tax Act, 1961) should be included, net of tax payable, in the tier I capital.
- The Reserve Bank of India in its revised Basel II guidelines issued on February 8, 2010 stipulated that banks are not permitted to use any external credit assessment for risk weighting securitization exposures where the assessment is at least partly based on unfunded support provided by the bank.
- The Reserve Bank of India in its revised Basel II guidelines issued on February 8, 2010, also issued guidance on the assessment of valuation adjustments on account of illiquidity for less liquid/illiquid positions that is subject to market risk capital requirements. The Reserve Bank of India also stipulated that these valuation adjustments are to be deducted from tier I capital. ICICI Bank applied this guidance in its computation of its capital adequacy position at year-end fiscal 2010. In May 2010, Reserve Bank of India issued a clarification deferring of the application of this guidance to a future date, pending the finalization of a standardized methodology for computing the valuation adjustments for less liquid/illiquid positions, to be formulated by a working group of the Reserve Bank of India.

Movement in ICICI Bank's capital funds and risk weighted assets from March 31, 2010 to September 30, 2010 (as per the Reserve Bank of India guidelines on Basel II)

During the six months ended September 30, 2010, capital funds increased by Rs. 69.54 billion primarily due to profit after tax earned for the period of Rs. 22.62 billion, the issuance of lower Tier II debt capital of Rs. 39.79 billion, reduction in deduction on account of securitization exposures of Rs. 12.84 billion offset, in part, by an increase in deduction on account of deferred tax assets of Rs. 3.94 billion.

Credit risk risk-weighted assets increased by Rs. 166.11 billion from Rs. 2,485.58 billion at March 31, 2010 to Rs. 2,651.69 billion at September 30, 2010 primarily due to an increase of Rs. 84.76 billion in risk weighted assets on loans and advances, increase of Rs. 42.96 billion in risk-weighted assets for non-fund based trade finance facilities and an increase of Rs. 14.10 billion in risk-weighted assets for undrawn commitments.

Market risk risk-weighted assets increased by Rs. 44.38 billion from Rs. 221.06 billion at March 31, 2010 to Rs. 265.44 billion at September 30, 2010. The general market risk risk-weighted assets for interest rate positions increased by Rs. 36.63 billion (a capital charge of Rs. 3.30 billion).

Risk weighted assets on account of operational risk increased by Rs. 14.51 billion due to the increase in the average of previous three years' gross income which is the basis for computation as per the basic indicator approach.

Internal assessment of capital

Our capital management framework includes a comprehensive internal capital adequacy assessment process conducted annually, which determines the adequate level of capitalization necessary to meet regulatory norms and current and future business needs, including under stress scenarios. The internal capital adequacy assessment process is formulated at both the stand-alone bank level and the consolidated group level. The process encompasses capital planning for a certain time horizon, identification and measurement of material risks and the relationship between risk and capital.

The capital management framework is complemented by its risk management framework, which includes a comprehensive assessment of all material risks. Stress testing, which is a key aspect of the capital assessment process and the risk management framework, provides an insight into the impact of extreme but plausible scenarios on the risk profile and capital position. Based on our Board-approved stress testing framework, we conduct stress tests on our various portfolios and assess the impact on our capital ratios and the adequacy of our capital buffers for current and future periods. We periodically assess and refine our stress tests in an effort to ensure that the stress scenarios capture material risks as well as reflect possible extreme market moves that could arise as a result of market conditions. Internal capital adequacy assessment process at the consolidated level integrates the business and capital plans, and the stress testing results of the group entities.

Based on the internal capital adequacy assessment process, we determine our capital needs and the optimum level of capital by considering the following in an integrated manner:

- strategic focus, business plan and growth objectives;
- regulatory capital requirements as per Reserve Bank of India guidelines;
- assessment of material risks and impact of stress testing;
- perception of credit rating agencies, shareholders and investors;
- future strategy with regard to investments or divestments in subsidiaries; and
- evaluation of options to raise capital from domestic and overseas markets, as permitted by Reserve Bank of India from time to time.

We formulate our internal capital level targets based on the internal capital adequacy assessment process and endeavor to maintain the capital adequacy level in accordance with the targeted levels at all times.

Impending regulatory developments associated with capital adequacy

Basel III proposals

In order to strengthen the resilience of the banking sector to potential future shocks, together with ensuring adequate liquidity in the banking system, the Basel Committee on Banking Supervision issued consultative documents on capital and liquidity (popularly known as "Basel III" proposals) on December 17, 2009. Subsequent amendments to and guidance regarding these proposals were issued in July 2010, August 2010 and September 2010. The Basel III proposals seek to increase capital requirements for the banking system and introduce internationally harmonized global liquidity standards. Some aspects of the proposals continue to be at the stage of consultation. The complete form of the Basel III framework is expected to be finalized by end of calendar year 2010. Implementation is expected to begin at the start of calendar year 2013 with substantial transition arrangements to be put in place.

The Basel III proposals on capital consist of proposals on improving the quality, consistency and transparency of capital, enhancing risk coverage, introducing a supplementary leverage ratio, reducing procyclicality and promoting counter-cyclical buffers, and addressing systemic risk and interconnectedness. In September 2010, the Basel Committee announced the strengthening of capital requirements, which comprised an increase in minimum common equity from 2.0% to 4.5% with an additional capital conservation buffer requirement of 2.5%, thereby bringing the total common equity requirement to 7.0%. The capital conservation buffer is a buffer established above the regulatory minimum capital requirement and capital distribution constraints will be imposed on the bank when capital levels fall below the buffer limit. Further, the minimum tier I capital requirement has been increased from 4.0% to 6.0% and with the above-mentioned capital conservation buffer; the total tier I capital requirement would be 8.5%. The total capital adequacy requirement (tier I and tier II) remains at the existing 8.0% level and with the above-mentioned capital conservation buffer, the total capital adequacy requirement would be 10.5%. The Basel III proposals on liquidity consist of a proposal on short-term liquidity coverage ratio aimed at building liquidity buffers to meet stress situations, and a proposal on long-term net stable funding ratio aimed at promoting longer term structural funding. These proposals are scheduled to be implemented in a phased manner over the next several years.

Some of the proposed measures of Basel III such as the predominance of equity in tier I capital, an increased tier I capital requirement, capital conservation, a counter-cyclical buffer and deduction of deferred tax asset over a certain threshold, already exist in some form in the Reserve Bank of India's current prudential regulatory regime on capital adequacy for the Indian banking system. Further, the Reserve Bank of India currently stipulates a capital adequacy requirement of 9.0% compared to 8.0% stipulated by the Basel Committee. The Reserve Bank of India's current stipulation for banks in India on maintaining a minimum statutory liquid ratio through mandatory holdings of government of India securities already reflects the emphasis of Basel III on building adequate liquidity buffers through the holding of high quality liquid assets.

We continue to monitor developments regarding these proposals. While the Basel III proposals may increase capital requirements and impose additional costs on the Bank in the future, we believe that our current robust capital adequacy position, adequate headroom currently available to raise hybrid/debt capital, demonstrated track record of access to domestic and overseas markets for capital raising and adequate flexibility in its balance sheet structure and business model will enable us to adapt to the Basel III framework along with any amendments by the Reserve Bank of India, as and when they are implemented.

Significant Changes in Accounting Policies

There has been no significant change in the accounting policies in the last year. We follow guidelines on accounting issued by the Reserve Bank of India from time to time.

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.

Most of our incremental funding requirements 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 our corporate and project finance and 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 the requirements of our depositors and bondholders, while also meeting the credit demand of our customers.

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. 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 to 14 day and the 15 to 28 day time category. We prepare a fortnightly maturity gap analysis to review our liquidity position. Our static gap analysis is also supplemented by a short-term dynamic analysis, in order to provide the liability raising units with a fair estimate of our short-term funding requirements. In addition, we also monitor certain liquidity ratios on a fortnightly basis. We have in place a liquidity contingency plan through which we monitor key indicators that could signal potential liquidity challenges, to enable us to take necessary measures to ensure sufficient liquidity.

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. We also 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 generally 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 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. Our limit on daily borrowing is more conservative than the limit set by the Reserve Bank of India. ICICI Securities Primary Dealership like us 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.

Our liquid assets consist of nostro balances, overnight and other money market placements maturing within 90 days, government bonds and treasury bills that are held in excess of regulatory requirements, other money market investments such as commercial paper, certificate of deposits, banker's acceptance and bearer depository notes, bills rediscounting, inter-bank participations, mutual fund investments and unutilized repurchase/refinance lines. We deduct our short-term borrowings (borrowings with maturity up to one month) from the aggregate of these assets to determine our net liquid assets.

Our domestic operations in India and our overseas banking subsidiaries are funded primarily by deposits. Our international branches are funded primarily by bond issuances, syndicated loans, inter-bank funding and commercial paper, in addition to deposit taking subject to local regulations and have longer maturity assets relative to liabilities. While conditions in the international markets have improved, prolonged uncertainty regarding growth partly due to sovereign downgrades, together with new liquidity regimes being imposed by regulators, have resulted in continued challenges in the funding market. We have, therefore, moderated new loan disbursements from our international branches and increased the focus on the deposit rollover, prepayments and inter-bank borrowings for managing liquidity, while accessing institutional markets through bond issuances and bilateral loans at appropriate times.

Additionally, we have continued to successfully raise funds through banker's acceptance and access refinance from export credit agencies. We have the ability to use our rupee liquidity in India to meet refinancing needs at our overseas branches, though this may be at a relatively high cost based on swap and exchange rates prevailing at the time of such refinancing. We have raised US$ 1.3 billion through bonds denominated in US dollars through two issuances in November 2009 and July 2010. These bonds have an original maturity exceeding five years.

The terms of our bond issuances and loans from other financial institutions and export credit agencies contain cross-default clauses, restrictions on our ability to merge or amalgamate with another entity and restrictions on our ability to prematurely redeem or repay such bonds or loans. The terms of our subordinated debt issuances eligible for inclusion in tier I or tier II capital include the suspension of interest payments in the event of losses or capital deficiencies, and a prohibition on redemption, even at maturity or on specified call option dates, without the prior approval of the Reserve Bank of India. We are currently not, and do not expect to be, in breach of any material covenants of our borrowings that would be construed as events of default under the terms of such borrowings.

There are restrictions on the use of liquidity maintained by our UK and Canada subsidiaries to meet our overall liquidity needs. The Office of the Superintendent of Financial Institutions has prescribed a limit of 100% on tier I and tier II capital, on the exposure to any single entity. ICICI Bank Canada, our Canadian subsidiary has internally capped this exposure at 50% of the limit specified by the Office of the Superintendent of Financial Institutions. The Financial Services Authority of the United Kingdom has prescribed a limit of 25% of the large exposure capital base, on the exposure to an individual counterparty (or a group of connected counterparties). The large exposure capital base is calculated as the sum of allowable tier I and tier II capital less any deductions required by the Financial Services Authority. ICICI Bank UK PLC has a capital base of US$ 1.0 billion at year-end fiscal 2010, resulting in a limit of US$ 254 million.

The successful management of credit, market and operational risk is an important consideration in managing our liquidity 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.

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, 2010	Additions	Deletions	Accumulated depreciation	Net assets at September 30, 2010	
		(Rupees in billions)				(US$ in millions)
Premises	Rs. 23.12	Rs. 14.58	Rs. 0.52	Rs. 5.24	Rs. 31.94	US$ 717
Other fixed assets	30.47	4.44	0.50	21.49	12.92	290
Assets on lease	17.55	0.00	0.00	14.60	2.95	66
Total	Rs. 71.14	Rs. 19.02	Rs. 1.02	Rs. 41.33	Rs. 47.81	US$ 1,073

	Cost at April 1, 2009	Additions	Deletions	Accumulated depreciation	Net assets at March 31, 2010	
		(Rupees in billions)				(US$ in millions)
Premises	Rs. 24.11	Rs. 0.78	Rs. 1.77	Rs. 4.78	Rs. 18.34	US$ 408
Other fixed assets	32.58	1.60	3.70	20.22	10.26	228
Assets on lease	17.75	0.00	0.20	14.02	3.53	79
Total	Rs. 74.44	Rs. 2.38	Rs. 5.67	Rs. 39.02	Rs. 32.13	US$ 715

	Cost at April 1, 2008	Additions	Deletions	Accumulated depreciation	Net assets at March 31, 2009	
		(Rupees in billions)				(US$ in millions)
Premises	Rs. 22.94	Rs. 1.70	Rs. 0.53	Rs. 4.14	Rs. 19.97	US$ 444
Other fixed assets	29.34	3.83	0.59	19.15	13.43	299
Assets on lease	18.08	0.00	0.33	13.13	4.62	103
Total	**Rs. 70.36**	**Rs. 5.53**	**Rs. 1.45**	**Rs. 36.42**	**Rs. 38.02**	**US$ 846**

During the six months ended September 30, 2010, we partly capitalized our Hyderabad office amounting to Rs. 13.03 billion in the books of account which led to an increase in gross block of premises. The increase in fixed assets was also due to fixed assets taken over from the Bank of Rajasthan upon amalgamation, amounting to Rs. 5.15 billion at August 12, 2010.

Segment Information

The Reserve Bank of India in its guidelines on "segmental reporting" has stipulated specified business segments and their definitions, for the purposes of public disclosures on business information for banks in India.

The consolidated segmental report for the six months ended September 30, 2010, based on the segments identified and defined by the Reserve Bank of India, has been presented as follows:

- **Retail Banking** includes exposures of the Bank, which satisfy the four qualifying criteria of 'regulatory retail portfolio' as stipulated by the Reserve Bank of India guidelines on the Basel II framework. These criteria are as follows:

  (i) Orientation criterion: Exposures is to an individual person or persons (not to be restricted to an individual, Hindu Undivided Family, trust, partnership firm, private limited companies, public limited companies, co-operative societies, etc.) or to a small business are classified as retail. A small business is defined as one where the three year average annual turnover is less than Rs. 500 million.

(ii) Product criterion: All exposure should take the form of any of the following:

- revolving credits and lines of credit (including overdrafts);
- term loans and leases (*e.g.*, installment loans and leases, student and educational loans); and
- small business facilities and commitments.

(iii) Low value of individual exposures: The maximum aggregate retail exposure to one counterparty should not exceed the absolute threshold limit of Rs. 50 million.

(iv) Granularity criterion: The Regulatory retail portfolio should be sufficiently diversified to a degree that reduces the risks in the portfolio. The aggregate exposure to one counterparty should not exceed 0.2% of overall retail portfolio.

- **Wholesale Banking** includes all advances to trusts, partnership firms, companies and statutory bodies, by the Bank which are not included in the Retail Banking segment, as per the Reserve Bank of India guidelines for the Bank.
- **Treasury** includes the entire investment portfolio of the Bank.
- **Other Banking** includes hire purchase and leasing operations and other items not attributable to any particular business segment of the Bank.

Framework for Transfer Pricing

All liabilities are transfer priced to a central treasury unit, which pools all funds and lends to the business units at appropriate rates based on the relevant maturity of assets being funded after adjusting for regulatory reserve requirements and specific charge on account of directed lending to certain sectors categorized as priority sectors. Current and savings account deposits are transfer priced at a fixed rate. For term deposits and borrowings the transfer pricing is based on the categories specified in the Transfer Pricing Policy. Transfer pricing to our asset creation units is based on the incremental cost of deposits (blended for current and savings account deposits) and borrowings adjusted for the maturity of the asset (term premium), regulatory reserve requirements, liquidity maintenance costs and specific charges due to priority sector lending. The allocated capital is also considered as a source of funding for this purpose.

The following table sets forth the profit before tax of various segments in the six months ended September 30, 2010 compared to the six months ended September 30, 2009.

	Six months ended September 30,		
	2009	2010	2010/2009 % change
	in millions, except percentages		
Retail Banking	Rs. (7,592.2)	Rs. (3,340.7)	—
Wholesale Banking	15,256.3	21,405.2	40.3%
Treasury	16,977.1	10,871.2	(35.9)%
Other Banking	1,053.8	674.8	(36.0)%
Profit before tax	**Rs. 25,695.0**	**Rs. 29,610.5**	**15.2%**

Retail Banking Segment

The following table sets forth, for the periods indicated, the principal components of profit before tax.

	Six months ended September 30,		
	2009	2010	2010/2009 % change
	in millions, except percentages		
Net interest income	Rs. 19,067.8	Rs. 17,338.9	(9.1)%
Non-interest income	12,533.8	10,661.4	(14.9)%
Total income	**31,601.7**	**28,002.3**	**(11.4)%**
Non-interest expenses	21,307.1	21,511.6	1.0%
Profit before provision	**10,294.5**	**6,488.7**	**(37.0)%**
Provisions	17,886.7	9,829.4	(44.9)%
Profit before tax	**Rs. (7,592.2)**	**Rs. (3,340.7)**	**—**

The following table sets forth, for the periods indicated, the outstanding balances of key assets and liabilities.

	Sep 30, 2009	Mar 31, 2010	Sep 30, 2010	2010/2009 % change
	in millions, except percentages			
Advances	Rs. 710,448.0	Rs. 665,364.3	Rs. 605,783.6	(14.7)%
Deposits	1,110,452.4	1,129,894.2	1,330,279.5	19.8%

The loans in the retail banking segment declined by 14.7% from Rs. 710.44 billion at September 30, 2009 to Rs. 605.78 billion at September 30, 2010 mainly because the repayments and prepayments from our existing retail portfolio continue to be higher than incremental disbursements.

The retail banking segment maintained its focus on strengthening its deposit franchise, especially by way of increasing the retail deposit base. The retail savings account deposits increased by 31.8% from Rs. 479.14 billion at September 30, 2009 to Rs. 631.28 billion at September 30, 2010. Retail current account deposits increased by 27.4% from Rs. 92.59 billion at September 30, 2009 to Rs. 118.00 billion at September 30, 2010.

The loss in the retail banking segment decreased from Rs. 7.59 billion in the six months ended September 30, 2009 to a loss of Rs. 3.34 billion in the six months ended September 30, 2010, primarily due to a decline in provisions for loan losses in the unsecured portfolio.

Net interest income decreased by 9.1% from Rs. 19.07 billion in the six months ended September 30, 2009 to Rs. 17.34 billion in the six months ended September 30, 2010. The increase in net interest income was primarily due to a reduction in the retail loan portfolio and the impact of the increased cost of savings account deposits with effect from April 1, 2010.

Non-interest income decreased by 14.9% from Rs. 12.53 billion in the six months ended September 30, 2009 to Rs. 10.66 billion in the six months ended September 30, 2010. The decrease in non-interest income was primarily due to lower retail loan origination and reduction in credit card related fees following the Bank's conscious strategy of reducing the credit card portfolio. The fee income from the credit card portfolio decreased from Rs. 3.89 billion in the six months ended September 30, 2009 to Rs. 2.66 billion in the six months ended September 30, 2010.

Non-interest expenses marginally increased from Rs. 21.31 billion in the six months ended September 30, 2009 to Rs. 21.51 billion in the six months ended September 30, 2010.

Provisions and contingencies decreased by 44.9% from Rs. 17.86 billion in the six months ended September 30, 2009 to Rs. 9.82 billion the six months ended September 30, 2010, primarily due to a decline in provisions for loan losses in the unsecured retail portfolio. The incremental addition to retail non-performing loans has been declining sequentially every quarter since the three months ended September 30, 2009 which has reflected in a sequential decline in retail provisions with some lag.

Wholesale Banking Segment

The following table sets forth, for the periods indicated, the principal components of profit before tax.

	Six months ended September 30,		
	2009	2010	2010/2009 % change
	in millions, except percentages		
Net interest income	Rs. 15,418.5	Rs. 14,861.0	(3.6)%
Non-interest income	12,839.1	17,957.3	39.9%
Total income	**28,257.6**	**32,818.3**	**16.1%**
Non-interest expenses	6,651.6	7,746.5	16.5%
Profit before provisions	**21,606.0**	**25,071.8**	**16.0%**
Provisions	6,349.7	3,666.5	(42.3)%
Profit before tax	**Rs. 15,256.3**	**Rs. 21,405.3**	**40.3%**

The following table sets forth, for the periods indicated, the outstanding balances of key assets and liabilities.

	Sep 30, 2009	Mar 31, 2010	Sep 30, 2010	2010/2009 % change
	in millions, except percentages			
Advances	Rs. 1,195,406.4	Rs. 1,144,171.9	Rs. 1,330,901.1	11.3%
Deposits	869,736.4	888,941.7	892,400.4	2.6%

The wholesale banking loan book increased by 11.3% from Rs. 1,195.41 billion at September 30, 2009 to Rs. 1,330.90 billion at September 30, 2010. In line with the Bank's strategy of reducing its dependence on wholesale deposits, the term deposits in the segment decreased by 8.5% from Rs. 688.21 billion at September 30, 2009 to Rs. 629.52 billion at September 30, 2010.

Profit before tax of the wholesale banking segment increased from Rs. 15.26 billion in the six months ended September 30, 2009 to Rs. 21.41 billion in the six months ended September 30, 2010. The increase was primarily due to a decline in provisions and an increase in fee income.

Net interest income decreased by 3.6% from Rs. 15.42 billion in the six months ended September 30, 2009 to Rs. 14.86 billion in the six months ended September 30, 2010. The decrease was primarily due to competitive pricing in the segment.

Non-interest income increased by 39.9% from Rs. 12.84 billion in the six months ended September 30, 2009 to Rs. 17.96 billion in the six months ended September 30, 2010. Fee income increased due the Bank's increased participation in financing to corporates for their working capital and project financing requirements.

Non-interest expenses increased by 16.5% from Rs. 6.65 billion in the six months ended September 30, 2009 to Rs. 7.75 billion in the six months ended September 30, 2010. The increase was primarily due to an annual increase in salaries and provision for performance-linked bonus during the period.

Provisions and contingencies decreased by 42.3% from Rs. 6.35 billion in the six months ended September 30, 2009, to Rs. 3.67 billion in the six months ended September 30, 2010. Provisions were higher for the six months ended September 30, 2009 on account of the significantly higher restructuring of corporate loans done during the period.

Treasury Banking Segment

The following table sets forth, for the periods indicated, the principal components of profit before tax.

	Six months ended September 30,		
	2009	**2010**	**2010/2009 % change**
	in millions, except percentages		
Net interest income	Rs. 5,086.8	Rs. 8,892.3	74.8%
Non-interest income	12,229.2	3,027.5	(75.2)%
Total income	**17,316.0**	**11,919.8**	**(31.2)%**
Non-interest expenses	733.2	666.7	(9.1)%
Profit before provisions	**16,582.8**	**11,253.1**	**(32.1)%**
Provisions	(394.2)	381.9	(196.9)%
Profit before tax	**Rs. 16,977.1**	**Rs. 10,871.2**	**(35.9)%**

The following table sets forth, for the periods indicated, the outstanding balances of key assets and liabilities.

	Sep 30, 2009	**Mar 31, 2010**	**Sep 30, 2010**	**2010/2009 % change**
	in millions, except percentages			
Investment	Rs. 1,199,648.1	Rs. 1,208,928.0	Rs. 1,362,770.2	13.6%
Borrowing	722,239.1	942,635.7	970,097.5	34.3%

Profit before tax of the treasury segment decreased from Rs. 16.98 billion in the six months ended September 30, 2009 to Rs. 10.87 billion in the six months ended September 30, 2010. The decrease was primarily due to realized/unrealized losses on government securities and domestic fixed income positions.

Net interest income increased by 74.8% from Rs. 5.09 billion in the six months ended September 30, 2009 to Rs. 8.89 billion in the six months ended September 30, 2010, primarily due to a reduction in the average cost of term deposits from 8.39% in the six months ended September 30, 2009 to 6.24% in the six months ended September 30, 2010 and also due to an increase in the average current and saving account deposits in the overall deposit from Rs. 612.10 billion at September 30, 2009 to Rs. 753.11 billion at September 30, 2010. This resulted in higher net positive income derived from transfer pricing of assets and liabilities.

Non-interest income decreased from Rs. 12.23 billion in the six months ended September 30, 2009 to Rs. 3.03 billion in the six months ended September 30, 2010. The decrease was primarily due to mark-to-market and realized losses on our government and other domestic fixed income securities portfolio and an absence of reversal of mark-to-market provisions on our credit derivatives portfolio. This was partly offset by higher profits from our equity portfolio. During the six months ended September 30, 2010, due to tightening of systemic liquidity, higher inflation and new issuance of government securities, there was increase in yield on short-term government securities. The increase in the yield on short term government securities rates in the latter part of the six months ended September 30, 2010, resulted in mark-to-market losses on the government securities portfolio. The higher income in the six months ended September 30, 2009 included a reversal of mark-to-market provisions on the credit derivatives portfolio due to a contraction in credit spreads and higher realized profit on government securities and other fixed income securities.

Other Banking Segment

The following table sets forth, for the periods indicated, the principal components of profit before tax.

	Six months ended September 30,		
	2009	2010	2010/2009 % change
	in millions, except percentages		
Net interest income	Rs. 640.2	Rs. 861.9	34.6%
Non-interest income	1,534.5	934.4	(39.1)%
Total income	**2,174.7**	**1,796.3**	**(17.4)%**
Non-interest expenses	1,013.8	614.3	(39.4)%
Profit before provision	**1,161.0**	**1,182.0**	**1.8%**
Provisions	107.1	507.3	373.7%
Profit before tax	**Rs. 1,053.8**	**Rs. 674.7**	**(36.0)%**

Profit before tax of other banking segment decreased from a profit of Rs. 1.05 billion in the six months ended September 30, 2009 to a profit of Rs. 0.67 billion in the six months ended September 30, 2010.

Consolidated Financials as per Indian GAAP

The consolidated profit after tax, including the results of operations of our subsidiaries and other consolidating entities, increased by 14.0% from Rs. 21.80 billion in the six months ended September 30, 2009 to Rs. 24.86 billion in the six months ended September 30, 2010 due to improved financial performance by the Bank and its insurance subsidiaries. The consolidated return on average equity increased from 9.1% in the six months ended September 30, 2009 to 9.7% in the six months ended September 30, 2010.

Profit after tax of ICICI Bank UK PLC decreased from Rs. 0.85 billion in the six months ended September 30, 2009 to Rs. 0.80 billion in fiscal 2010 due to a decrease in fee income partly offset by an increase in net interest income and decrease in operating expenses.

Profit after tax of ICICI Bank Canada decreased from Rs. 0.97 billion in the six months ended September 30, 2009 to Rs. 0.63 billion in the six months ended September 30, 2010 primarily due to lower fee and other income partly offset by an increase in net interest income and decrease in operating expenses.

ICICI Prudential Life Insurance Company Limited recorded a net loss of Rs. 1.01 billion in the six months ended September 30, 2010 compared to a loss of Rs. 1.05 billion in the six months ended September 30, 2009. In the non-participating policyholders' funds, there was a surplus of Rs. 4.89 billion, net of deferred tax, for the six months ended September 30, 2010. The surplus in the non-participating policyholders' funds would be transferred at the end of the financial year based on the appointed actuary's recommendation. If this surplus were transferred, the net profit after tax for the six months ended September 30, 2010 would have been Rs. 3.88 billion.

Profit after tax of ICICI Lombard General Insurance Company Limited increased from Rs. 0.89 billion in the six months ended September 30, 2009 to Rs. 1.37 billion in the six months ended September 30, 2010 primarily due to an increase in premium and commission income.

Profit after tax of ICICI Securities Limited (including ICICI Securities Holdings Inc. and ICICI Securities Inc.) increased from Rs. 0.46 billion in the six months ended September 30, 2009 to Rs. 0.52 billion in the six months ended September 30, 2010 on account of improved capital market conditions.

Profit after tax of ICICI Prudential Asset Management Company decreased from Rs. 0.67 billion in the six months ended September 30, 2009 to Rs. 0.45 billion in the six months ended September 30, 2010 primarily due to the decrease in management fees on account of lower funds under management.

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

	Six months ended September 30,	
	2009	2010
	(in billions)	(in billions)
ICICI Bank UK PLC	Rs. 0.85	Rs. 0.80
ICICI Bank Canada	0.97	0.63
ICICI Bank Eurasia Limited Liability Company	0.27	0.05
ICICI Prudential Life Insurance Company Limited	(1.05)	(1.01)
ICICI Lombard General Insurance Company Limited	0.89	1.37
ICICI Securities Limited (consolidated)	0.46	0.52
ICICI Securities Primary Dealership Limited	0.67	0.32
ICICI Prudential Asset Management Company Limited	0.67	0.45
ICICI Home Finance Company Limited	0.54	1.11
ICICI Venture Funds Management Company Limited	0.30	0.33

Summary Fiscal 2010 compared to Fiscal 2009

Profit before provisions and tax increased by 9.0% from Rs. 89.25 billion in fiscal 2009 to Rs. 97.32 billion in fiscal 2010. This increase was primarily due to an increase in income from treasury-related activities by 42.0% from Rs. 12.94 billion in fiscal 2009 to Rs. 18.38 billion in fiscal 2010 and a decrease in non-interest expenses by 16.8% from Rs. 70.45 billion in fiscal 2009 to Rs. 58.60 billion in fiscal 2010, offset, in part, by a decrease in commission, exchange and brokerage income by 14.1% from Rs. 56.26 billion in fiscal 2009 to Rs. 48.31 billion in fiscal 2010 and a decrease in net interest income by 3.0% from Rs. 83.67 billion in fiscal 2009 to Rs. 81.14 billion in fiscal 2010.

Provisions and contingencies (excluding provision for tax) increased by 15.2% from Rs. 38.08 billion in fiscal 2009 to Rs. 43.87 billion in fiscal 2010 primarily due to a higher level of provisioning for retail non-performing loans and restructured corporate loans. Profit before tax increased by 4.5% from Rs. 51.17 billion in fiscal 2009 to Rs. 53.45 billion in fiscal 2010. Tax provision decreased by 2.9% from Rs. 13.59 billion in fiscal 2009 to Rs. 13.20 billion in fiscal 2010, reflecting an effective tax rate of 24.7% in fiscal 2010 as compared to 26.6% in fiscal 2009 primarily due to a change in the mix of taxable profits with a higher component of tax exempt income and the abolition of fringe benefit tax, offset, in part, by a negative impact of a revaluation of deferred tax asset due to a reduction in surcharge from 10.0% to 7.5% vide Finance Act, 2010. Profit after tax increased by 7.1% from Rs. 37.58 billion in fiscal 2009 to Rs. 40.25 billion in fiscal 2010.

- Net interest income decreased by 3.0% from Rs. 83.67 billion in fiscal 2009 to Rs. 81.14 billion in fiscal 2010 reflecting primarily a decline of 5.1% in average interest-earning assets during fiscal 2010, offset, in part, by an increase in net interest margin from 2.4% in fiscal 2009 to 2.5% in fiscal 2010.

- Non-interest income decreased by 1.6% from Rs. 76.03 billion in fiscal 2009 to Rs. 74.78 billion in fiscal 2010 primarily due to a decrease in commission, exchange and brokerage income, offset, in part, by an increase in income from treasury-related activities.

- Non-interest expense decreased by 16.8% from Rs. 70.45 billion in fiscal 2009 to Rs. 58.60 billion in fiscal 2010 primarily due to a decrease in direct marketing agency expenses from Rs. 5.29 billion in fiscal 2009 to Rs. 1.25 billion in fiscal 2010 and our overall cost reduction initiatives.

- Provisions and contingencies (excluding provision for tax) increased by 15.2% from Rs. 38.08 billion in fiscal 2009 to Rs. 43.87 billion in fiscal 2010 primarily due to a higher level of provisioning for retail non-performing loans and restructured corporate loans. Provisions for retail non-performing loans increased due to seasoning of the secured loan portfolio, losses on the unsecured loan portfolio, challenges in collections and the impact of the adverse macro-economic environment experienced in fiscal 2009.

- Total assets decreased by 4.2% from Rs. 3,793.01 billion at March 31, 2009 to Rs. 3,634.00 billion at March 31, 2010 primarily due to a decrease in advances by Rs. 371.05 billion, offset, in part, by an increase in investments by Rs. 178.35 billion.

Net Interest Income

Net interest income decreased by 3.0% from Rs. 83.67 billion in fiscal 2009 to Rs. 81.14 billion in fiscal 2010 primarily due to a 5.1% decline in average interest-earning assets during fiscal 2010, offset, in part by an increase in net interest margin from 2.4% in fiscal 2009 to 2.5% in fiscal 2010.

Interest income decreased by 17.3% from Rs. 310.93 billion in fiscal 2009 to Rs. 257.07 billion in fiscal 2010 due to a decrease in average interest-earning assets by 5.1% from Rs. 3,436.20 billion in fiscal 2009 to Rs. 3,259.66 billion in fiscal 2010 and a decrease in yield on average interest-earning assets by 116 basis points from 9.1% in fiscal 2009 to 7.9% in fiscal 2010.

The average volume of interest-earning assets decreased in fiscal 2010 primarily on account of a decrease in average advances and average balances with the Reserve Bank of India, offset, in part, by an increase in average repo lending and average interest-earning investments. Average advances decreased by 12.7% from Rs. 2,192.80 billion in fiscal 2009 to Rs. 1,915.39 billion in fiscal 2010 primarily on account of a decrease in retail advances and advances of overseas branches. Retail advances (including dealer financing and developer financing portfolios) decreased by 25.6% from Rs. 1,062.03 billion at March 31, 2009 to Rs. 790.45 billion at March 31, 2010 primarily due to contractual repayments and prepayments from our existing portfolio as well as moderation in new retail lending. Net advances of overseas branches, in rupee terms, decreased by 16.9% from Rs. 542.91 billion at March 31, 2009 to Rs. 451.37 billion at March 31, 2010 primarily due to limited demand for new foreign currency financing from Indian companies and rupee appreciation.

Average balances with the Reserve Bank of India decreased by 36.3% from Rs. 189.57 billion in fiscal 2009 to Rs. 120.74 billion in fiscal 2010 primarily due to a reduction in net demand and time liabilities. Average other interest-earning assets increased by Rs. 94.64 billion from Rs. 82.84 billion in fiscal 2009 to Rs. 177.48 billion in fiscal 2010 primarily due to deployment of surplus liquidity in the reverse repurchase agreement under Reserve Bank of India's liquidity adjustment facility and call money lending.

Average interest-earning investments increased by 7.7% from Rs. 971.00 billion in fiscal 2009 to Rs. 1,046.05 billion in fiscal 2010 primarily due to an increase in credit substitutes, offset, in part, by a decrease in average government and other approved securities. The reduction in average government and other approved securities was primarily on account of a reduction in net demand and time liabilities resulting from overall reduction in total assets. Further, the statutory liquidity ratio was 24.0% from November 8, 2008 to November 6, 2009 compared to 25.0% prior to November 8, 2008 and after November 7, 2009.

Yield on average interest-earning assets decreased by 116 basis points from 9.1% in fiscal 2009 to 7.9% in fiscal 2010 primarily due to a decrease in the yield on average advances by 111 basis points from 10.2% in fiscal 2009 to 9.1% in fiscal 2010 and a decrease in yield on interest-earning investments by 144 basis points from 7.6% in fiscal 2009 to 6.2% in fiscal 2010. During fiscal 2010, the cash reserve ratio requirement was increased by 75 basis points to 5.75% at year-end fiscal 2010. As cash reserve ratio balances do not earn any interest income, the increase in requirement resulted in a negative impact on yield on interest earning assets.

Yield on average advances decreased by 111 basis points from 10.2% in fiscal 2009 to 9.1% in fiscal 2010 primarily on account of a reduction in interest rates resulting in a reduction of prime lending rate and floating reference rates for our domestic loan book, a reduction in benchmark rates (LIBOR) on the advances of our overseas branches and a decrease in the proportion of high yielding unsecured retail loans in total loans. Effective June 5, 2009, we reduced the prime lending rate and the floating reference rate for domestic advances by 100 basis points each. The decline in proportion of retail loans in total loans was primarily due to contractual repayments and prepayments on the existing portfolio and an industry-wide moderation in fresh retail loans. Interest on income tax refunds included in interest income decreased from Rs. 3.33 billion in fiscal 2009 to Rs. 1.21 billion in fiscal 2010 and loss on securitization pools (including credit losses on existing pools) increased from Rs. 3.21 billion in fiscal 2009 to Rs. 5.09 billion in fiscal 2010. This impact was reflected over all quarters of fiscal 2010.

Total interest expense decreased by 22.6% from Rs. 227.26 billion in fiscal 2009 to Rs. 175.93 billion in fiscal 2010 due to a decrease in both average interest-bearing liabilities and average cost of funds. Average interest-bearing liabilities decreased by 6.0% from Rs. 3,249.16 billion in fiscal 2009 to Rs. 3,054.87 billion in fiscal 2010 primarily due to a decrease in volume of average deposits. Average cost of funds decreased by 123 basis points from 7.0% in fiscal 2009 to 5.8% in fiscal 2010.

Average volume of deposits decreased by 9.6% from Rs. 2,180.14 billion in fiscal 2009 to Rs. 1,970.60 billion in fiscal 2010. Total deposits decreased by 7.5% from Rs. 2,183.48 billion at March 31, 2009 to Rs. 2,020.17 billion at March 31, 2010 primarily due to a reduction in term deposits in line with our conscious strategy of focusing on current and savings account deposits and reducing the wholesale term deposit base. The proportion of current and savings account deposits in total deposits increased from 28.7% at March 31, 2009 to 41.7% at March 31, 2010. The proportion of average current and savings account deposits to average total deposits increased from 26.6% in fiscal 2009 to 32.5% in fiscal 2010.

Average volume of borrowings (including subordinated debt) increased by 1.4% from Rs. 1,069.03 billion in fiscal 2009 to Rs. 1,084.27 billion in fiscal 2010 primarily on account of an increase in overnight borrowing under repurchase agreement for money market operations based on arbitrage opportunities available in the market and new capital eligible borrowings, in the nature of subordinated debt, offset, in part, by a decrease in other borrowings.

Average cost of funds decreased by 123 basis points from 7.0% in fiscal 2009 to 5.8% in fiscal 2010. Average cost of deposits decreased by 140 basis points from 7.2% in fiscal 2009 to 5.8% in fiscal 2010 due to a decline in average cost of term deposits by 149 basis points from 9.2% in fiscal 2009 to 7.7% in fiscal 2010 and an increase in the proportion of current and savings account deposits in total deposits. The average cost of borrowings decreased by 88 basis points from 6.5% in fiscal 2009 to 5.6% in fiscal 2010 due to a decrease in cost of foreign currency borrowings and cost of call money borrowings and borrowings under repurchase agreements. Cost of foreign currency borrowings decreased due to a reduction in benchmark rate (LIBOR).

The Reserve Bank of India had prescribed a rate of 3.5% on savings deposits and banks were required to pay this interest on the minimum outstanding balance in a savings account between the 10th day and the end of the month. Effective April 1, 2010, the Reserve Bank of India changed the methodology of computation of the interest payable and banks will be required to pay interest on the average daily balance maintained in a savings account. The change in methodology will result in an increased effective interest rate on savings account deposits and will adversely impact the net interest margin of banks. Our cost of savings account deposits for the quarter ended March 31, 2010 was 2.9% and in line with the change mentioned above, has increased to 3.5% from April 1, 2010. Based on average balances for the quarter ended March 31, 2010, this change is estimated to have an adverse impact of about 10 basis points on our net interest margin.

While the funding cost for us has reduced over the last one year, it may increase going forward. It cannot be assured that we will be able to pass through all the increases in our funding costs to our borrowers. Any failure to pass such higher funding costs completely to our customers would adversely impact our net interest margin. See "Risk Factors—Risks Relating to Our Business—Our banking and trading activities are 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, the quality of our loan portfolio and our financial performance".

Our net interest margin is expected to continue to be lower than other banks in India until we increase the proportion of retail deposits in our total funding. Our net interest margin is also impacted by the relatively lower margins on our international book.

Non-Interest Income

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

	Year ended March 31,			
	2009	2010	2010	2010/2009 % change
	(in millions, except percentages)			
Commission, exchange and brokerage	Rs. 56,258.9	Rs. 48,308.1	US1,084	(14.1)%
Income from treasury-related activities	12,948.6	18,376.9	412	42.0
Lease income	2,334.3	1,570.9	35	(32.7)
Other income	4,495.5	6,520.6	146	45.0
Total non-interest income	Rs. 76,037.3	Rs. 74,776.5	US$ 1,678	(1.7)%

Non-interest income decreased by 1.6% from Rs. 76.03 billion in the year ended March 31, 2009 to Rs. 74.78 billion in the year ended March 31, 2010 primarily due to a 14.1% decrease in commission, exchange and brokerage income from Rs. 56.26 billion in the year ended March 31, 2009 to Rs. 48.31 billion in fiscal 2010, offset, in part, by an increase in income from treasury-related activities by 42.0% from Rs. 12.94 billion in the year ended March 31, 2009 to Rs. 18.38 billion in fiscal 2010.

Commission, exchange and brokerage income decreased by 14.1% from Rs. 56.26 billion in fiscal 2009 to Rs. 48.31 billion in the year ended March 31, 2010 primarily due to subdued credit demand from the corporate sector in fiscal 2010, which resulted in lower loan processing fees. Moderation in retail disbursements resulted in lower retail asset (including credit cards) related fees in fiscal 2010. Retail liabilities related fees increased marginally in fiscal 2010 as compared to fiscal 2009.

The total income from treasury-related activities increased by 42.0% from Rs. 12.94 billion in fiscal 2009 to Rs. 18.38 billion in fiscal 2010. Income from treasury-related activities for fiscal 2010 primarily includes realized/unrealized profit on government securities and other fixed income instruments, positive impact on the valuation of the credit derivatives portfolio due to the softening of credit spreads and realized/unrealized profit on equity investments, offset, in part by mark-to-market losses on investments in security receipts issued by asset reconstruction companies and a diminution in the value of venture fund investments. Income from treasury-related activity includes income from derivatives reflecting primarily the transactions undertaken with customers by us and hedged by us in the inter-bank market, and income from merchant foreign exchange transactions.

During fiscal 2010, a recovery in equity markets and softening of credit spreads led to a positive impact on our trading fixed income portfolio and equity portfolio. Liquidity in the banking system continued to improve. As a result, there was a significant moderation in money market and wholesale deposit rates. However, the yield on 10-year government securities, after declining initially, increased during fiscal 2010 in view of the large government borrowing program and a high fiscal deficit estimated for fiscal 2010. We capitalized on certain market opportunities in fiscal 2010 resulting in realized/unrealized gains on government securities and other fixed income securities. Income from treasury-related activities is necessarily volatile and depends upon the nature of our portfolio as well as interest rate trends and may not be sustainable.

Lease income, net of lease depreciation, decreased by 34.8% from Rs. 0.23 billion in fiscal 2009 to Rs. 0.15 billion in fiscal 2010 primarily due to a decrease in leased assets from Rs. 4.62 billion at March 31, 2009 to Rs. 3.53 billion at March 31, 2010.

Other income increased by 45.0% from Rs. 4.50 billion in fiscal 2009 to Rs. 6.52 billion in fiscal 2010. Other income primarily includes dividend from subsidiaries and profit on sale of fixed assets. During fiscal 2010, we and First Data, a global leader in electronic commerce and payment services, formed a merchant acquiring alliance entity, 19% owned by us and 81% owned by First Data, which has acquired our merchant acquiring operations through a transfer of assets, primarily comprising fixed assets and receivables, and assumption of liabilities, for a total consideration of Rs. 3.74 billion. We realized a profit of Rs. 2.03 billion from this transaction, which is included in “Other income”.

Non-Interest Expense

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

	Year ended March 31,			
	2009	2010	2010	2010/2009 % change
	(in millions, except percentages)			
Employee expenses	Rs. 19,717.0	Rs. 19,257.9	US$ 432	(2.3)%
Depreciation on owned property (including non banking assets)	4,684.9	4,778.5	107	2.0
Auditors' fees and expenses	22.7	22.5	1	(0.9)
Other administrative expenses	38,636.2	31,868.1	715	(17.5)
Total non-interest expense (excluding lease depreciation and direct marketing agency expenses)	63,060.8	55,927.0	1,255	(11.3)
Depreciation (including lease equalization) on leased assets	2,101.1	1,416.5	32	(32.6)
Direct marketing agency expenses	5,289.2	1,254.8	28	(76.3)
Total non-interest expense	Rs. 70,451.1	Rs. 58,598.3	US$ 1,315	(16.8)%

Total non-interest expense decreased by 16.8% from Rs. 70.45 billion in fiscal 2009 to Rs. 58.60 billion in fiscal 2010 primarily due to a 76.3% decrease in direct marketing agency expenses and a 17.5% decrease in other administrative expenses.

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 up front and are not amortized over the life of the loan. Due to lower retail disbursements and lower issuance of new credit cards, direct marketing agency expenses decreased by 76.3% from Rs. 5.29 billion in fiscal 2009 to Rs. 1.25 billion in fiscal 2010.

Employee expenses decreased by 2.3% from Rs. 19.72 billion in fiscal 2009 to Rs. 19.26 billion in fiscal 2010 despite the provision of performance bonus and performance-linked retention pay primarily on account of a decrease in the average employee base and a decrease in provision requirement for retirement benefit obligations due to an increase in discount rate on account of an increase in yield on government securities. Though the average employee base was lower in fiscal 2010, the employee base at year-end fiscal 2010 was marginally higher at 35,256 as compared to 34,596 at year-end fiscal 2009. We expect employee expenses to increase from this level as we grow our business and in light of the competitive market for talent in India.

Depreciation on owned property increased by 2.0% from Rs. 4.68 billion in fiscal 2009 to Rs. 4.78 billion in fiscal 2010, reflecting the addition of new branches and ATMs and office equipments. The number of our branches in India increased from 1,419 at March 31, 2009 to 1,707 at March 31, 2010. The number of ATMs increased from 4,713 at March 31, 2009 to 5,219 at March 31, 2010. Depreciation on leased assets decreased by 32.4% from Rs. 2.10 billion in fiscal 2009 to Rs. 1.42 billion in fiscal 2010.

Other administrative expenses decreased by 17.5% from Rs. 38.64 billion in fiscal 2009 to Rs. 31.87 billion in fiscal 2010 primarily due to overall cost reduction initiatives undertaken by us. Expenses on account of retail business expenses, professional fees, traveling conveyance, postage and telegrams and insurance declined in fiscal 2010 as compared to fiscal 2009.

Provisions and Contingencies (excluding Tax Provisions)

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

	Year ended March 31,			
	2009	**2010**	**2010**	**2010/2009 % change**
	(Rupees in millions, except percentages)			
Provision for investments (including credit substitutes) (net)	Rs. 977.3	Rs. (26.5)	US$ (1)	—
Provision for non-performing assets (including provision for standard assets)	37,500.3	43,621.6	979	16.3%
Others	(395.0)	273.5	6	—
Total provisions	Rs. 38,082.6	Rs. 43,868.6	US$ 984	15.2%

We classify our loans in accordance with the Reserve Bank of India guidelines. Provisions and contingencies (excluding provision for tax) increased by 15.2% from Rs. 38.08 billion in fiscal 2009 to Rs. 43.87 billion in fiscal 2010 primarily due to a higher level of provisioning for retail non-performing loans and an increase in provisions for restructured corporate assets. Provisions for retail non-performing loans increased on account of seasoning of the secured loan portfolio, losses on the unsecured loan portfolio, challenges in collections and the impact of adverse macro-economic environment experienced in fiscal 2009.

During fiscal 2010, we made provisions of Rs. 2.52 billion on corporate loans as required by Reserve Bank of India guidelines on restructured advances. The deterioration in the global economic environment during fiscal 2009, in particular following the bankruptcy of Lehman Brothers in September 2008, adversely impacted the operations of several Indian companies. Indian businesses were impacted by the lack of access to financing/refinancing from global debt capital markets, losses on existing inventories due to the sharp decline in commodity prices, reduction in demand for and prices of output and reduction in cash accruals and profitability. There was some stress experienced by certain borrowers in sectors such as real estate, auto ancillaries and textiles. This led to additional restructuring of loans in the Indian banking system, including us.

We held a cumulative standard assets provision of Rs. 14.36 billion at March 31, 2010 against the requirement of Rs. 7.30 billion at March 31, 2010 as per the category-wise general provision requirement currently applicable to various categories of loans under the Reserve Bank of India guidelines. The excess provision has not been reversed in accordance with the Reserve Bank of India guidelines.

Our provisioning coverage ratio (i.e., total provisions made against non-performing assets as a percentage of gross non-performing assets) was 59.5% of March 31, 2010. Reserve Bank of India guidelines require banks to achieve a provisioning coverage ratio of 70% by September 30, 2010. We have been permitted by the Reserve Bank of India to achieve the stipulated level of provision coverage ratio of 70% in a phased manner by March 31, 2011. See also "Risk Factors—Risks Relating to Our Business—Further deterioration of our non-performing asset portfolio combined with recent Reserve Bank of India requirements that all Indian banks increase their provisioning coverage as a percentage of gross non-performing assets could adversely affect our business".

Tax Expense

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

	Year ended March 31,		
	2009	2010	2010
	(in millions, except percentages)		
Tax at marginal rate on income	Rs. 17,392.6	Rs. 18,168.7	US$ 408
Adjustments			
Difference in book and tax depreciation	2,260.2	2,652.5	60
Bad debts written off	11,532.4	7,498.1	168
Special reserve under section 36(1)(viii)	(2,090.0)	(2,715.6)	(61)
Surplus on sale of property/assets	(175.1)	(1,345.2)	(30)
Dividend, exempt interest and other exempt income	(11,154.6)	(9,499.7)	(213)
Capital gains on sale of capital assets	(696.0)	(2,989.1)	(67)
Other adjustments	1,758.9	138.7	3
Net adjustments	1,435.8	(6,260.3)	(140)
Tax (savings)/outgo thereon — other than capital gains	488.0	(2,127.9)	(48)
Tax on capital gains on sale of capital assets	52.5	119.1	3
Tax (savings)/outgo	540.5	(2,008.7)	(45)
Deferred taxes and other tax provisions	(4,716.7)	(2,986.6)	(67)
Total income tax	13,216.4	13,173.4	296
Wealth tax	30.0	30.0	1
Fringe benefit tax	342.0	0.0	0
Total taxation	Rs. 13,588.4	Rs. 13,203.4	US$ 296
Notes			
Profit before taxation	Rs. 51,169.7	Rs. 53,453.2	US$ 1,200
Marginal rates of tax			
— Other than long-term capital gains	33.99%	33.99%	
— Long-term capital gains (Listed Securities Transaction Tax)	0%	0%	
— Long-term capital gains (Non Securities Transaction Tax with indexation)	22.66%	22.66%	
— Long-term capital gains (Listed Non Securities Transaction Tax without indexation)	11.33%	11.33%	
— Short-term capital gains (Listed Securities Transaction Tax)	17.00%	17.00%	
— Short-term capital gains (Non Securities Transaction Tax)	33.99%	33.99%	

The income tax expense (including wealth tax) decreased by 2.9% from Rs. 13.59 billion in fiscal 2009 to Rs. 13.20 billion in fiscal 2010. The effective tax rate of 24.7% in fiscal 2010 was lower compared to the effective tax rate of 26.6% in fiscal 2009 primarily due to a change in the mix of taxable profits with a higher component of exempt income and abolition of fringe benefit tax, offset, in part, by a negative impact of revaluation of deferred tax asset due to reduction in surcharge from 10.0% to 7.5% vide Finance Act, 2010.

Financial Condition

Our total assets decreased by 4.2% from Rs. 3,793.01 billion at March 31, 2009 to Rs. 3,634.00 billion at March 31, 2010. Net advances decreased by 17.0% from Rs. 2,183.11 billion at March 31, 2009 to Rs. 1,812.06 billion at March 31, 2010 primarily due to a decrease in retail advances. Net retail advances (including dealer financing and developer financing portfolios) decreased by 25.6% from Rs. 1,062.03 billion at March 31, 2009 to Rs. 790.45 billion at March 31, 2010. Retail advances constituted 43.6% of our total net advances at March 31, 2010. Net advances of overseas branches (including offshore banking unit) decreased in rupee terms by 16.9% from Rs. 542.91 billion at March 31, 2009 to Rs. 451.37 billion at March 31, 2010. Total investments increased by 17.3% from Rs. 1,030.58 billion at March 31, 2009 to Rs. 1,208.93 billion at

March 31, 2010 primarily due to an increase in statutory liquidity ratio investments by 7.9% from Rs. 633.87 billion at March 31, 2009 to Rs. 684.04 billion at March 31, 2010 and an increase in credit substitutes and deployment of liquidity in short-dated securities by 26.5% from Rs. 396.71 billion at March 31, 2009 to Rs. 524.89 billion at March 31, 2010.

We have a trading portfolio in various credit derivatives instruments including credit default swaps (CDSs), credit linked notes (CLNs) and collateralized debt obligations (CDOs). At March 31, 2010, we had a gross portfolio of funded credit derivatives of Rs. 15.40 billion and non-funded credit derivatives of Rs. 32.88 billion, including Rs. 0.22 billion as protection bought by us at March 31, 2010 as compared to funded credit derivatives of Rs. 18.41 billion and non-funded credit derivatives of Rs. 38.71 billion, including Rs. 0.25 billion as protection bought by us at March 31, 2009. Our banking subsidiaries had a gross portfolio of funded credit derivatives of Rs. 12.59 billion and non-funded credit derivatives of Rs. Nil (US$ Nil) at March 31, 2010 as compared to funded credit derivatives of Rs. 15.29 billion and non-funded credit derivatives of Rs. Nil (US$ Nil) at March 31, 2009. Our entire exposure in these credit derivatives at March 31, 2010 is to underlying entities which are India-linked.

Our equity share capital and reserves increased by 4.2% from Rs. 495.33 billion at March 31, 2009 to Rs. 516.18 billion at March 31, 2010 primarily due to accretion to reserves out of profits, net of dividend and dividend tax paid. Total deposits decreased by 7.5% from Rs. 2,183.48 billion at March 31, 2009 to Rs. 2,020.17 billion at March 31, 2010 primarily due to our conscious strategy of reducing wholesale term deposits. Term deposits decreased by 24.3% from Rs. 1,556.80 billion at March 31, 2009 to Rs. 1,178.01 billion at March 31, 2010. Our savings account deposits increased by 29.7% from Rs. 410.36 billion at March 31, 2009 to Rs. 532.18 billion at March 31, 2010 and current account deposits increased by 43.3% from Rs. 216.32 billion at March 31, 2009 to Rs. 309.98 billion at March 31, 2010. Borrowings (including subordinated debt) increased by 1.2% from Rs. 931.56 billion at March 31, 2009 to Rs. 942.64 billion at March 31, 2010 primarily on account of a decrease in borrowings, offset, in part by new capital eligible borrowings, in the nature of subordinated debt as a result of which subordinated debt (including application money towards subordinated debt) increased from Rs. 254.82 billion at March 31, 2009 to Rs. 329.67 billion at March 31, 2010.

Segmental Information

The Reserve Bank of India issued revised guidelines on segment reporting applicable from fiscal 2008. As per the guidelines, our business operations have the following segments:

- Retail Banking includes exposures which satisfy the four criteria-orientation, product, granularity and low value of individual exposures for retail exposures-laid down in the Basel Committee on Banking Supervision document, "International Convergence of Capital Measurement and Capital Standards: A Revised Framework".
- Wholesale Banking includes all advances to trusts, partnership firms, companies and statutory bodies which are not included under the Retail Banking.
- Treasury includes the entire investment portfolio of the Bank.
- Other Banking includes hire purchase and leasing operations and other items not attributable to any particular business segment.
- All liabilities are transfer priced to a central treasury unit, which pools all funds and lends to the business units at appropriate rates based on the relevant maturity of assets being funded after adjusting for regulatory reserve requirements.

Retail Banking

The retail banking segment reported a loss of Rs. 13.34 billion in fiscal 2010 as compared to profit of Rs. 0.58 billion in fiscal 2009. This was primarily due to a decrease in net interest income and non-interest income and an increase in provisions, offset, in part, by a decrease in non-interest expenses.

Net interest income decreased by 22.4% from Rs. 48.47 billion in fiscal 2009 to Rs. 37.59 billion in fiscal 2010, primarily due to reductions in loans due to higher prepayments/repayments and lower level of incremental lending, which resulted in a lower level of interest income.

Non-interest income decreased by 11.0% from Rs. 29.41 billion in fiscal 2009 to Rs. 26.19 billion in fiscal 2010, primarily due to a lower level of incremental lending, which resulted in a lower level of loan related fees.

Provisions and contingencies increased by 14.2% from Rs. 29.37 billion in fiscal 2009 to Rs. 33.56 billion in fiscal 2010, primarily due to continuing credit losses in the unsecured retail asset portfolio.

Non-interest expenses decreased by 9.1% from Rs. 47.93 billion in fiscal 2009 to Rs. 43.56 billion in fiscal 2010, primarily due to lower issuance of new credit cards and overall cost reduction initiatives undertaken.

Wholesale Banking

Profit before tax of wholesale banking segment increased from Rs. 34.13 billion in fiscal 2009 to Rs. 36.45 billion in fiscal 2010. The increase was mainly due to an increase in net interest income, a decrease in non-interest expenses offset, in part, by an increase in provisions and a decrease in non-interest income.

Net interest income increased by 17.2% from Rs. 26.50 billion in fiscal 2009 to Rs. 31.07 billion in fiscal 2010. This was primarily due to a decrease in the interest rates in the banking system which resulted in a lower level of inter-segment interest expense to the wholesale banking floating rate portfolio.

Non-interest income decreased by 19.1% from Rs. 34.70 billion in fiscal 2009 to Rs. 28.08 billion in fiscal 2010. The fee income was impacted due to lower business confidence in the early part of the year and muted credit demand throughout the year.

Non-interest expenses decreased by 35.5% from Rs. 19.15 billion in fiscal 2009 to Rs. 12.35 billion in fiscal 2010, primarily due to continuous focus on cost containment.

Provisions and contingencies increased by 30.6% from Rs. 7.92 billion in fiscal 2009 to Rs. 10.34 billion in fiscal 2010, primarily due to restructuring of corporate loans.

Treasury

Profit before tax of the treasury segment increased from Rs. 12.84 billion in fiscal 2009 to Rs. 27.89 billion in fiscal 2010 primarily due to an increase in net interest income, an increase in non-interest income and decrease in provision.

Net interest income increased by 101.1% from Rs. 5.65 billion in fiscal 2009 to an income of Rs. 11.37 billion in fiscal 2010, primarily due to net positive income derived from the transfer pricing of assets and liabilities.

Non-interest income increased by 87.8% from Rs. 9.42 billion in fiscal 2009 to an income of Rs. 17.69 billion in fiscal 2010, primarily due to the significant recovery in equity market resulting in realized profit and reversal of mark to market provision held on equity investments. Further, the contraction in credit spreads due to improved global market conditions resulted in the reversal of mark-to-market provisions on the India linked credit derivatives portfolio.

Non-interest expense remained constant at Rs. 1.21 billion in fiscal 2010 as compared to fiscal 2009.

Other Banking

Profit before tax of other banking segment decreased from Rs. 3.61 billion in fiscal 2009 to Rs. 2.45 billion in fiscal 2010.

Consolidated Financials as per Indian GAAP

The consolidated profit after tax, including the results of operations of our subsidiaries and other consolidating entities increased by 30.6% from Rs. 35.77 billion in fiscal 2009 to Rs. 46.70 billion in fiscal 2010 due to improved financial performance by most of the subsidiaries. The consolidated return on average equity increased from 7.83% in fiscal 2009 to 9.59% in fiscal 2010.

Profit after tax of ICICI Bank UK PLC increased from Rs. 0.31 billion in fiscal 2009 to Rs. 1.76 billion in fiscal 2010 due to an increase in fee income, lower operating expenses and lower impairment losses in fiscal 2010, offset, in part, by lower net interest income following a decline in net interest margin and lower gains on buyback of bonds.

Profit after tax of ICICI Bank Canada increased from Rs. 1.39 billion in fiscal 2009 to Rs. 1.54 billion in fiscal 2010 primarily due to increased realization of gains on the sale of insured mortgages and mark-to-market gains on investments, as well as reduced provisions on loans, offset, in part, by a reduction in net interest income and a decrease in fee income during fiscal 2010.

ICICI Prudential Life Insurance Company Limited recorded a profit after tax of Rs. 2.58 billion in fiscal 2010 compared to a loss of Rs. 7.80 billion in fiscal 2009 due to an increase in net premium earned, fund management fees, risk charges, policy fees and other charges and due to lower operating and commission expenses.

Profit after tax of ICICI Lombard General Insurance Company Limited increased from Rs. 0.24 billion in fiscal 2009 to Rs. 1.44 billion in fiscal 2010 primarily due to an increase in operational efficiency and higher gains on the sale of investments following improved market conditions in fiscal 2010.

Profit after tax of ICICI Securities Limited increased from Rs. 0.04 billion in fiscal 2009 to Rs. 1.23 billion in fiscal 2010 on account of improved capital market conditions.

Profit after tax of ICICI Prudential Asset Management Company increased from Rs. 0.01 billion (US$0 million) in fiscal 2009 to Rs. 1.28 billion in fiscal 2010 primarily due to the increase in management fees on account of higher funds under management and due to scheme support expenses of Rs. 0.92 billion incurred in fiscal 2009.

Consolidated assets of the Bank and its subsidiaries and other consolidating entities increased from Rs. 4,826.91 billion at year-end fiscal 2009 to Rs. 4,893.47 billion at year-end fiscal 2010. Consolidated advances of the Bank and its subsidiaries decreased from Rs. 2,661.30 billion at year-end fiscal 2009 to Rs. 2,257.78 billion at year-end fiscal 2010.

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

	Year ended March 31,	
	2009	2010
	(in billions)	(in billions)
ICICI Bank UK PLC	Rs. 0.31	Rs. 1.76
ICICI Bank Canada	1.39	1.54
ICICI Bank Eurasia Limited Liability Company	(0.07)	0.53
ICICI Prudential Life Insurance Company Limited	(7.80)	2.58
ICICI Lombard General Insurance Company Limited	0.24	1.44
ICICI Prudential Asset Management Company Limited	0.01	1.28
ICICI Securities Limited	0.04	1.23
ICICI Securities Primary Dealership Limited	2.72	0.85
ICICI Home Finance Company Limited	1.43	1.61
ICICI Venture Funds Management Company Limited	Rs. 1.48	Rs. 0.51

Summary Fiscal 2009 compared to Fiscal 2008

Profit before provisions and tax increased by 12.1% from Rs. 79.61 billion in fiscal 2008 to Rs. 89.25 billion in fiscal 2009 primarily due to an increase in net interest income by 14.6% from Rs. 73.04 billion in fiscal 2008 to Rs. 83.67 billion in fiscal 2009 and a decrease in non-interest expenses by 13.6% from Rs. 81.54 billion in fiscal 2008 to Rs. 70.45 billion in fiscal 2009, offset, in part, by a decrease in non-interest income by 13.7% from Rs. 88.11 billion in fiscal 2008 to Rs. 76.03 billion in fiscal 2009. Provisions and contingencies (excluding provision for tax) increased by 31.1% during fiscal 2009 due to a higher level of specific provisioning on non-performing loans, offset, in part, by lower general provisioning as the advances portfolio did not increase. Profit before tax increased by 1.2% from Rs. 50.56 billion in fiscal 2008 to Rs. 51.17 billion in fiscal 2009. Tax provision was Rs. 13.59 billion in fiscal 2009 compared to Rs. 8.98 billion in fiscal 2008, due to higher effective tax rate consequent to a change in the mix of taxable profits, which had a lower component of income from dividend and capital gains. Profit after tax was lower by 9.6% in fiscal 2009 at Rs. 37.58 billion as compared to Rs. 41.58 billion in fiscal 2008.

- Net interest income increased by 14.6% from Rs. 73.04 billion in fiscal 2008 to Rs. 83.67 billion in fiscal 2009 reflecting primarily an increase in net interest margin by 21 basis points from 2.2% in fiscal 2008 to 2.4% in fiscal 2009 and an increase in average interest-earning assets from Rs. 3,288.34 billion in fiscal 2008 to Rs. 3,436.20 billion in fiscal 2009.

- Non-interest income decreased by 13.7% from Rs. 88.11 billion in fiscal 2008 to Rs. 76.03 billion in fiscal 2009 primarily due to a 57.8% decrease in other income (including dividend from subsidiaries) and a decrease of 32.6% in income from treasury-related activities.

- Non-interest expense decreased by 13.6% from Rs. 81.54 billion in fiscal 2008 to Rs. 70.45 billion in fiscal 2009 primarily due to a decrease in direct marketing agency expenses from Rs. 15.43 billion in fiscal 2008 to Rs. 5.29 billion in fiscal 2009 and due to overall cost reduction initiatives undertaken by us.

- Provisions and contingencies (excluding provision for tax) increased from Rs. 29.05 billion in fiscal 2008 to Rs. 38.08 billion in fiscal 2009 primarily due to higher level of specific provisioning on non-performing retail loans. Increase in non-performing retail assets was primarily on account of seasoning of the secured loan portfolio, relatively higher losses on unsecured portfolio and the adverse macro-economic environment.

- Total assets decreased by 5.1% from Rs. 3,997.95 billion at year-end fiscal 2008 to Rs. 3,793.01 billion at year-end fiscal 2009 primarily due to a decrease in cash and balances with the Reserve Bank of India by Rs. 118.41 billion attributable to a reduction in cash reserve ratio requirement, decrease in investments by Rs. 83.96 billion and a decrease in advances by Rs. 73.05 billion.

Net Interest Income

Net interest income increased by 14.6% from Rs. 73.04 billion in fiscal 2008 to Rs. 83.67 billion in fiscal 2009, reflecting primarily the following:

- an increase of Rs. 147.86 billion or 4.5% in average interest-earning assets; and

- an increase in net interest margin by 21 basis points from 2.2% in fiscal 2008 to 2.4% in fiscal 2009.

Interest income increased by 1.0% from Rs. 307.88 billion in fiscal 2008 to Rs. 310.93 billion in fiscal 2009 primarily due to an increase in average interest-earning assets by Rs. 147.86 billion, offset, in part, by a decrease of 31 basis points in yield on average interest-earning assets.

Average interest-earning assets increased marginally in rupee terms by Rs. 147.86 billion or 4.5% from Rs. 3,288.34 billion in fiscal 2008 to Rs. 3,436.20 billion in fiscal 2009. This increase is after considering the impact of rupee depreciation on foreign currency denominated assets.

Increase in average interest-earning assets was primarily on account of an increase in average advances by Rs. 155.09 billion. This increase in average advances was primarily on account of an increase in non-retail advances, offset, in part, by a decrease in retail advances. While net advances of overseas branches (including offshore banking unit) decreased by 10.1% from US$11.9 billion at year-end fiscal 2008 to US$10.7 billion at year-end fiscal 2009, the net advances of overseas branches, in rupee terms, increased due to the impact of rupee depreciation during fiscal 2009. Net retail advances decreased from Rs. 1,316.63 billion at year-end fiscal 2008 to Rs. 1,062.03 billion at year-end fiscal 2009 (including dealer financing and developer financing portfolio of Rs. 8.75 billion and Rs. 24.08 billion, respectively). Average interest-earning investments in fiscal 2009 remained at about the same level as fiscal 2008. Increase in average interest-earning non-statutory liquidity ratio investments was offset by a decrease in average statutory liquidity ratio investments. Average statutory liquidity ratio investments decreased by Rs. 23.51 billion primarily on account of a reduction in domestic net demand and time liabilities and a reduction of 100 basis points in statutory liquidity ratio requirement from 25.0% to 24.0% during fiscal 2009.

Yield on average interest-earning assets decreased by 31 basis points from 9.4% in fiscal 2008 to 9.1% in fiscal 2009 primarily due to a decrease in the yield on advances by 91 basis points from 11.1% in fiscal 2008 to 10.2% in fiscal 2009, offset, in part, by a reduction in cash reserve ratio requirement. Cash reserve ratio was at 5.0% at year-end fiscal 2009 compared to 7.5% at year-end fiscal 2008. As cash reserve ratio balances do not earn any interest income, the reduction in requirement resulted in a positive impact on yield on interest-earning assets. Our overall yield on advances decreased primarily on account of a decrease in benchmark rate (LIBOR) and the impact of rupee depreciation on advances denominated in foreign currency. Yield on average interest-earning investments remained nearly at the same level as fiscal 2008 (i.e., 7.7% for fiscal 2008 and 7.6% for fiscal 2009).

Interest income was also impacted by receipt of interest on income tax refund which was Rs. 0.87 billion in fiscal 2008 compared to Rs. 3.33 billion in fiscal 2009 and loss on securitization (including credit losses on existing pools) of Rs. 3.21 billion in fiscal 2009.

Interest expense decreased by 3.2% from Rs. 234.84 billion in fiscal 2008 to Rs. 227.26 billion in fiscal 2009 primarily due to a 3.9% decrease in average deposits from Rs. 2,268.13 billion in fiscal 2008 to Rs. 2,180.14 billion in fiscal 2009 and a decrease in cost of funds by 54 basis points from 7.5% in fiscal 2008 to 7.0% in fiscal 2009, offset, in part, by an increase in average borrowings from Rs. 851.15 billion in fiscal 2008 to Rs. 1,069.03 billion in fiscal 2009.

Total deposits decreased by 10.7% from Rs. 2,444.31 billion at year-end fiscal 2008 to Rs. 2,183.48 billion at year-end fiscal 2009 primarily due to our conscious strategy of paying off wholesale deposits. Term deposits decreased from Rs. 1,806.51 billion at year-end fiscal 2008 to Rs. 1,556.80 billion at year-end fiscal 2009. The proportion of current and savings account deposits in total deposits increased from 26.1% at year-end fiscal 2008 to 28.7% at year-end fiscal 2009. Borrowings in rupee terms have increased primarily due to new capital-eligible borrowings, in the nature of subordinated debt and an impact of rupee depreciation on foreign currency denominated borrowings. Borrowings (including subordinated debt) of foreign branches decreased from US$12.7 billion at year-end fiscal 2008 to US$10.9 billion at year-end fiscal 2009.

Cost of funds decreased from 7.5% in fiscal 2008 to 7.0% in fiscal 2009. Cost of deposits decreased by 30 basis points from 7.5% in fiscal 2008 to 7.2% in fiscal 2009. The cost of borrowings decreased by 100 basis points from 7.5% in fiscal 2008 to 6.5% in fiscal 2009. Cost of borrowings decreased primarily due to a decrease in cost of foreign currency borrowings as the benchmark rate (LIBOR) reduced.

Non-Interest Income

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

	Year ended March 31,			
	2008	2009	2009	2009/2008 % change
	(in millions, except percentages)			
Commission, exchange and brokerage	Rs. 56,053.1	Rs. 56,258.9	US$ 1,263	0.4%
Income from treasury-related activities	19,223.1	12,948.6	291	(32.6)
Lease income	2,168.1	2,334.3	52	7.7
Other income	10,663.3	4,495.5	101	(57.8)
Total non-interest income	Rs. 88,107.6	Rs. 76,037.3	US$ 1,706	(13.7)%

Non-interest income decreased by 13.7% from Rs. 88.11 billion in fiscal 2008 to Rs. 76.03 billion in fiscal 2009 primarily due to a decrease of 32.6% in income from treasury-related activities, offset, in part, by an increase in commission, exchange and brokerage income.

Commission, exchange and brokerage marginally increased by 0.4% from Rs. 56.05 billion in fiscal 2008 to Rs. 56.26 billion in fiscal 2009 primarily due to robust growth in fee income in first half of fiscal 2009 attributable to growth in fee income from structuring and advisory fees, third party product distribution fees, income from foreign exchange transactions and processing fees in both domestic and international operations, offset, in part, by the impact of the slowdown in domestic economy and continued turmoil in international markets in the second half of fiscal 2009. Domestic corporate activity slowed down considerably. This impacted the fee income from corporate and small and medium enterprises. The high interest rates prevalent for a large part of the year combined with our strategy to moderate balance sheet growth also impacted domestic lending activity with retail disbursements slowing down considerably. This resulted in low retail asset related fees in fiscal 2009. Sales of third party products such as insurance and mutual funds slowed down considerably in the second half of fiscal 2009 resulting in lower third party distribution fees.

The total income from treasury-related activities decreased from Rs. 19.22 billion in fiscal 2008 to Rs. 12.95 billion in fiscal 2009 primarily due to loss on proprietary equity trading and equity oriented mutual fund portfolio, reversal of derivative income, mark-to-market provisioning on security receipts and mark-to-market and realized losses on credit derivatives, offset, in part, by realized profit on sale of fixed income investments and gains from buy-back of bonds. Income from treasury-related activity includes income from derivatives reflecting primarily the transactions undertaken with customers by us and hedged by us in the inter-bank market, and income from merchant foreign exchange transactions.

Sharp reduction in the year-on-year inflation, uncertain global growth outlook with downside risk along with the significant correction in the international commodity and the crude oil prices raised the expectations of the significant monetary policy easing by the Reserve Bank of India and consequent softening of the interest rates in the economy in the second half of fiscal 2009. In view of the above, we increased the duration of our fixed income portfolio significantly during the three months ended March 31, 2009. The yields on 10-year government of India securities came down significantly in the three months ended March 31, 2009. Due to significant easing of monetary policy by the Reserve Bank of India and consequent softening of the interest rates in the economy, we positioned ourselves to take advantage of the change in the interest rate scenario by increasing the duration of the statutory liquidity ratio investment portfolio as well as taking trading positions to benefit from the drop in yields.

We offer various derivative products to our clients for their risk management purposes including options and swaps. We do not carry market risk on these client derivative positions as we cover ourselves in the inter-bank market. Profits or losses on account of currency movements on these transactions are borne by the clients. In some cases, clients have filed suits against us disputing the transactions and the amounts to be paid. There had been delays in payment to us in respect of some of these clients. We had fully reversed the income recognized in cases where receivables were overdue for more than 90 days.

Lease income, net of lease depreciation, decreased by 34.3% from Rs. 0.35 billion in fiscal 2008 to Rs. 0.23 billion in fiscal 2009 primarily because of a decrease in leased assets from Rs. 7.97 billion at March 31, 2008 to Rs. 4.62 billion at March 31, 2009.

Other income decreased by 57.8% from Rs. 10.66 billion in fiscal 2008 to Rs. 4.50 billion in fiscal 2009 primarily due to the absence of any distribution of income by venture capital funds where we have investments, compared to income distribution of Rs. 7.88 billion in fiscal 2008.

Non-Interest Expense

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

	Year ended March 31,			
	2008	2009	2009	2009/2008 % change
	(in millions, except percentages)			
Employee expenses	Rs. 20,789.0	Rs. 19,717.0	US$ 442	(5.1)%
Depreciation on own property (including non-banking assets)	3,962.8	4,684.9	105	18.2
Auditors' fees and expenses	23.0	22.7	1	(1.3)
Other administrative expenditure	39,518.9	38,636.2	867	(2.2)
Total non-interest expense (excluding lease depreciation and direct marketing agency expenses)	64,293.7	63,060.8	1,415	(1.9)
Depreciation (including lease equalization) on leased assets	1,820.7	2,101.1	47	15.4
Direct marketing agency expenses	15,427.4	5,289.2	119	(65.7)
Total non-interest expense	Rs. 81,541.8	Rs. 70,451.1	US$ 1,581	(13.6)%

Total non-interest expense decreased by 13.6% from Rs. 81.54 billion in fiscal 2008 to Rs. 70.45 billion in fiscal 2009 primarily due to a 65.7% decrease in direct marketing agency expenses and a 2.2% decrease in other administrative expenses.

We use marketing agents, 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 up front and not amortized over the life of the loan. Due to lower retail disbursements, lower issuance of new credit cards and a reduction in rate of commission, direct marketing agency expenses decreased by 65.7% from Rs. 15.43 billion in fiscal 2008 to Rs. 5.29 billion in fiscal 2009.

Employee expenses decreased by 5.1% from Rs. 20.79 billion in fiscal 2008 to Rs. 19.72 billion in fiscal 2009 primarily due to a 15.0% decrease in the employee base from 40,686 at year-end fiscal 2008 to 34,596 at year-end fiscal 2009, offset, in part, by annual increase in salaries.

Depreciation on own property increased by 18.2% from Rs. 3.96 billion in fiscal 2008 to Rs. 4.68 billion in fiscal 2009, reflecting the addition of new branches. Depreciation on leased assets increased from Rs. 1.82 billion in fiscal 2008 to Rs. 2.10 billion in fiscal 2009.

Other administrative expenses decreased by 2.2% from Rs. 39.52 billion in fiscal 2008 to Rs. 38.64 billion in fiscal 2009 primarily due to overall cost reduction initiatives undertaken by us, offsetting the increase in expenses related to retail business (primarily related to collections) and the increase in our branch and ATM network. The number of our branches and extension counters in India increased from 1,262 at year-end fiscal 2008 to 1,419 at year-end fiscal 2009. The number of ATMs increased from 3,881 at year-end fiscal 2008 to 4,713 at year-end fiscal 2009. There was a reduction in expenses on account of printing and stationary, advertisement and publicity and postage, telegrams and telephone expenses in fiscal 2009 as compared to fiscal 2008.

Provisions and Contingencies (excluding Tax Provisions)

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

	Year ended March 31,			
	2008	2009	2009	2009/2008 % change
	(in millions, except percentages)			
Provision for investments (including credit substitutes) (net)	Rs. 622.6	Rs. 977.3	US$ 22	57.0%
Provision for non-performing assets(1) (including provision for standard assets)	27,009.9	37,500.3	842	38.8
Others	1,413.4	(395.0)	(9)	—
Total provisions	Rs. 29,045.9	Rs. 38,082.6	US$ 855	31.1%

(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 from Rs. 29.05 billion in fiscal 2008 to Rs. 38.08 billion in fiscal 2009 primarily due to higher level of specific provisioning on non-performing loans, offset, in part, by lower general provisioning as the advances portfolio did not increase. Specific provisioning on non-performing assets increased in fiscal 2009 compared to fiscal 2008 primarily due to an increase in retail non-performing loans. The increase in retail non-performing loans primarily reflects the seasoning of the secured loan portfolio, relatively higher losses on unsecured portfolio and the adverse macro-economic environment.

The deterioration in the global economic environment during fiscal 2009, in particular following the bankruptcy of Lehman Brothers in September 2008, adversely impacted the operations of several Indian companies. Indian businesses were impacted by the lack of access to financing/refinancing from global debt capital markets, losses on existing inventories due to the sharp decline in commodity prices, reduction in demand for and prices of output and reduction in cash accruals and profitability. There was some stress experienced by certain borrowers in real estate and developer financing, auto ancillaries, textiles and retail mortgages. This led to additional restructuring of loans in the Indian banking system, including us.

The Ministry of Finance, Government of India, issued guidelines for the implementation of the agriculture debt waiver and relief scheme for farmers on May 23, 2008 which have been duly implemented by us. Pursuant to the scheme, an aggregate amount of Rs. 2.7 billion has been waived which was recoverable from government of India. Of the above, an amount of Rs. 773 million has been received by March 31, 2009. Correspondingly amounts of Rs. 145 million and Rs. 57 million have been written back from excess non-performing assets provision and interest suspense account, respectively.

There was a reduction in general provision requirement in certain categories of standard advances as per the Reserve Bank of India guidelines issued on November 15, 2008 as a counter-cyclical measure. While the cumulative provision requirement as per the revised rates of general provision requirement was Rs. 8.38 billion at year-end fiscal 2009, we continue to hold a cumulative general provision of Rs. 14.36 billion in accordance with the Reserve Bank of India guidelines, which does not allow reversal of excess cumulative general provision held as of September 30, 2008. General provision on standard assets made in fiscal 2008 was Rs. 1.59 billion.

Tax Expense

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

	Year ended March 31,		
	2008	2009	2009
	(in millions, except percentages)		
Tax at marginal rate on income	Rs. 17,185.7	Rs. 17,392.6	US$ 390
Adjustments			
Difference in book and tax depreciation	1,397.1	2,260.2	51
Bad debts written off	18,490.1	11,532.4	259
Special reserve under section 36(1)(viii)	(1,680.0)	(2,090.0)	(47)
Surplus on sale of property/assets	(656.1)	(175.1)	(4)
Dividend, exempt interest and other exempt income	(21,653.3)	(11,154.6)	(250)
Capital gains on sale of capital assets	(12,659.8)	(696.0)	(16)
Other adjustments	2,610.3	1,758.9	39
Net adjustments	(14,151.6)	1,435.8	32
Tax (savings)/outgo thereon — other than capital gains	(4,810.0)	488.0	11
Tax on capital gains on sale of capital assets	3,319.6	52.5	1
Tax (savings)/outgo	(1,490.4)	540.5	12
Deferred taxes and other tax provisions	(7,133.6)	(4,716.7)	(106)
Total income tax	8,561.7	13,216.4	297
Wealth tax	30.0	30.0	1
Fringe benefit tax	392.0	342.0	8
Total taxation	Rs. 8,983.7	Rs. 13,588.4	US$ 305
Notes			
Profit before taxation	Rs. 50,561.0	Rs. 51,169.7	US$ 1,148
Marginal rates of taxz			
— Other than long-term capital gains	33.99%	33.99%	
— Long-term capital gains (Listed Securities Transaction Tax)	0%	0%	
— Long-term capital gains (Non Securities Transaction Tax with indexation)	22.66%	22.66%	
— Long-term capital gains (Listed Non Securities Transaction Tax without indexation)	11.33%	11.33%	
— Short-term capital gains (Listed Securities Transaction Tax)	11.33%	17.00%	
— Short-term capital gains (Non Securities Transaction Tax)	33.99%	33.99%	

Income tax expense (including wealth tax) increased from Rs. 8.98 billion in fiscal 2008 to Rs. 13.59 billion in fiscal 2009. The effective tax expense rate increased from 17.77% in fiscal 2008 to 26.56% in fiscal 2009. The effective tax expense rate increased primarily on account of change in mix of taxable profits due to a decrease in the proportion of exempt income such as dividend and capital gains.

Financial Condition

Our total assets (including the impact of rupee depreciation on foreign currency denominated assets) decreased by 5.1% from Rs. 3,997.95 billion at year-end fiscal 2008 to Rs. 3,793.01 billion at year-end fiscal 2009. Net advances decreased by 3.2% from Rs. 2,256.16 billion at year-end fiscal 2008 to Rs. 2,183.11 billion at year-end fiscal 2009 primarily due to a decrease in retail advances. Net retail advances decreased by 19.3% from Rs. 1,316.63 billion at year-end fiscal 2008 to Rs. 1,062.03 billion at year-end fiscal 2009 (including dealer financing and developer financing portfolio of Rs. 8.75 billion and Rs. 24.08 billion, respectively). Retail advances constituted 48.6% of our total net advances at year-end fiscal 2009. Net advances of overseas branches (including offshore banking unit) decreased in US$ terms by 10.1% from US$11.9 billion at year-end fiscal 2008 to US$10.7 billion at year-end fiscal 2009. Net advances of overseas branches increased in rupee terms on account of depreciation of the rupee relative to the US dollar. Total investments decreased by 7.5% from Rs. 1,114.54 billion at year-end fiscal 2008 to Rs. 1,030.58 billion at year-end fiscal 2009 primarily due to a 15.5% decrease in statutory liquidity ratio investments from Rs. 750.31 billion at year-end fiscal 2008 to Rs. 633.87 billion at year-end fiscal 2009, offset, in part, by an increase in other investments by 8.9% from Rs. 364.23 billion at year-end fiscal 2008 to Rs. 396.71 billion at year-end fiscal 2009 which primarily included investment in international banking subsidiaries. Statutory liquidity ratio investments decreased primarily on account of reduction in domestic net demand and time liabilities and a reduction of 100 basis points in statutory liquidity ratio requirement from 25.0% to 24.0% during fiscal 2009. Non-statutory liquidity ratio investments included investment in security receipts in asset reconstruction companies of Rs. 32.18 billion at year-end fiscal 2009. At year-end fiscal 2009, we had a gross portfolio of funded credit derivatives of Rs. 18.41 billion and non-funded credit derivatives of Rs. 38.71 billion as compared to funded credit derivatives of Rs. 12.23 billion and non-funded credit derivatives of Rs. 50.57 billion at year-end fiscal 2008. At year-end fiscal 2009, our banking subsidiaries had a gross portfolio of funded credit derivatives of Rs. 15.29 billion and non-funded credit derivatives of Rs. Nil as compared to funded credit derivatives of Rs. 14.84 billion and non-funded credit derivatives of Rs. 8.03 billion at year-end fiscal 2008.

Our equity share capital and reserves at year-end fiscal 2009 increased from Rs. 464.71 billion at year-end fiscal 2008 to Rs. 495.33 billion primarily due to annual accretion to reserves out of profits. Total deposits decreased by 10.7% from Rs. 2,444.31 billion at year-end fiscal 2008 to Rs. 2,183.48 billion at year-end fiscal 2009 primarily due to our conscious strategy of paying off wholesale deposits. Term deposits decreased from Rs. 1,806.51 billion at year-end fiscal 2008 to Rs. 1,556.80 billion at year-end fiscal 2009. Our savings account deposits increased from Rs. 390.89 billion at year-end fiscal 2008 to Rs. 410.36 billion at year-end fiscal 2009 while current account deposits decreased from Rs. 246.91 billion at year-end fiscal 2008 to Rs. 216.32 billion at year-end fiscal 2009. Borrowings (including subordinated debt) increased from Rs. 867.49 billion at year-end fiscal 2008 to Rs. 931.56 billion at year-end fiscal 2009 primarily due to capital-eligible borrowings, in the nature of subordinated debt and the impact of rupee depreciation on foreign currency denominated borrowings.

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 conform to standard accounting practices relevant to our products and services and the 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: 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 categories of investments: (a) held to maturity, (b) available for sale and (c) held for trading. Under each classification, we further categorize investments into (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 the amortized cost, if acquired at a premium over the face value. Any premium over the face value of the fixed rate and floating rate securities acquired is amortized over its remaining period to maturity on a constant effective yield basis and straight line basis respectively. We also evaluate our investments for any other than temporary diminution in its value.

We compute the market value of our securities 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 of our quoted investments based on the trades/quotes on recognized stock exchanges, securities general ledger account transactions, and price list of the Reserve Bank of India or prices declared by the Primary Dealers Association of India jointly with Fixed Income Money Market and Derivatives Association, periodically.

We compute the market value of our unquoted government securities included in the available for sale and held for trading categories in accordance with rates published by the Fixed Income Money Market and Derivatives Association.

We compute the market value of non-government securities, under the available other than those quoted on the stock exchanges, wherever linked to the yield-to-maturity rates, with a mark-up (reflecting associated credit risk) over the yield to maturity rates for government securities published by the Fixed Income Money Market and Derivatives Association.

We mark-to-market our funded credit derivatives based on counter-party valuation quotes, or internal models using inputs from market sources such as Bloomberg/Reuters, counter-parties and the Fixed Income Money Market and Derivatives Association

We compute the market value of our unquoted equity shares at the break up value, if the latest balance sheet is available. If such a balance sheet is not available, the unquoted equity shares are valued at Rupee 1 in accordance with Reserve Bank of India guidelines.

We compute the market value of our securities, under the available for sale and held for trading categories, scrip-wise (that is, by individual securities) and the depreciation/appreciation is aggregated for each category. Net appreciation in each category, if any, is ignored, as it is unrealized while net depreciation is provided for.

We account for repurchase and reverse repurchase transactions with banks and financial institutions as borrowing and lending transactions in accordance with the extant guidelines of the Reserve Bank of India. We account for transactions with the Reserve Bank of India under liquidity adjustment facility as sale and purchase transactions.

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 classify non-performing loans as loss assets when we believe that the loans are no longer collectible or the security available is below 10% of the balance outstanding. We create specific provisions on our secured and unsecured corporate loans classified as substandard and doubtful assets at rates prescribed by the Reserve Bank of India. Loans in the retail asset portfolio classified as substandard and doubtful are provided for at rates prescribed by our internal policy subject to minimum provisioning requirements set by the Reserve Bank of India. Loss assets are fully provided for. We hold specific provisions for retail loans that are higher than the minimum regulatory requirements. We hold specific provisions against non-performing loans and a general provision against standard loans.

We determine provisions for our restructured/rescheduled loans based on the diminution in the fair value of the loan under the methodology prescribed by the Reserve Bank of India. For loans classified as substandard and doubtful assets that are restructured, we compute the diminution in fair value of the loan in addition to the loan loss provisions.

We upgrade a restructured non-performing loan to a standard account if there has been satisfactory payment performance for one year following the date on which the first payment of principal, or interest is due. We upgrade all other non-performing loans to a standard account if arrears of interest and principal are fully paid by the borrower.

The Reserve Bank of India has issued separate guidelines governing the off-balance sheet exposures of banks. The guidelines require banks to treat only unpaid amounts due for more than 90 days under derivatives contracts as non-performing assets. Further, provisioning requirements applicable to the loan assets in the standard asset category are applicable to banks' derivative and gold exposures. The guidelines also require banks to determine their credit exposures arising from interest rate and foreign exchange derivatives transactions and gold, using the current exposure method according to the guidelines of the Reserve Bank of India.

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

Additionally, we create provisions on individual country exposures (other than for home country exposures). The countries are categorized into seven risk categories: insignificant, low, moderate, high, very high, restricted and off-credit, and provisioning is made for those exposures exceeding 180 days on a graded scale ranging from 0.25% to 100%. For exposures with a contractual maturity of less than 180 days, 25% of the provisions are required to be held. If the country exposure (net) of the Bank within respect to each country does not exceed 1% of the total funded assets, no provision is required for such country exposure.

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 accounted for net of provisions. 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 which is in accordance with the Reserve Bank of India guidelines.

BUSINESS

Overview

We are a diversified financial services group offering a wide range of banking and financial services to corporate and retail customers through a variety of delivery channels. We are the largest private sector bank in India and the second largest bank in India, in terms of total assets. Apart from banking products and services, we offer life and general insurance, asset management, securities brokering and private equity products and services through our specialized subsidiaries.

Our primary business consists of commercial banking operations for corporate and retail customers. We provide a range of commercial banking and project finance products and services, including loan products, fee and commission-based products and services, deposit products and foreign exchange and derivatives products to India's leading corporations, middle market companies and small and medium enterprises. Our commercial banking operations for retail customers consist of retail lending and deposit taking and distribution of third party investment products. We deliver our products and services through a variety of channels, including bank branches, ATMs, call centers and the internet and mobile phones. We had a network of 2,501 branches and 5,722 ATMs in India at September 30, 2010. This includes 457 branches and 131 ATMs of the Bank of Rajasthan, a private sector bank that merged with us with effect from the close of business on August 12, 2010. We also offer agricultural and rural banking products.

In our international banking operations our primary focus is on persons of Indian origin and Indian businesses. Our international branches and banking subsidiaries take deposits, raise borrowings and make loans primarily to Indian companies for their overseas operations as well as for their foreign currency requirements in India. They also engage in advisory and syndication activities for fund-raising by Indian companies and their overseas operations. We currently have banking subsidiaries in the United Kingdom, Canada and Russia, branches in Singapore, Dubai, Sri Lanka, Hong Kong, Qatar, United States and Bahrain and representative offices in China, the United Arab Emirates, Bangladesh, South Africa, Malaysia, Thailand and Indonesia. Our subsidiary in the United Kingdom has established a branch in Antwerp, Belgium and a branch in Frankfurt, Germany. Our subsidiaries in the United Kingdom and Canada and our branches in Bahrain, Singapore and Hong Kong have the largest share of our international assets and liabilities.

Our treasury operations include the maintenance and management of regulatory reserves, proprietary trading in equity and fixed income and a range of foreign exchange and derivatives products and services for corporate customers, such as forward contracts and interest rate and currency swaps. We take advantage of movement in markets to earn treasury income. Our international branches and subsidiaries also have investments in credit derivatives, bonds of non-India financial institutions and asset backed securities.

We are also engaged in insurance, asset management, securities business and private equity fund management through specialized subsidiaries. Our subsidiaries ICICI Prudential Life Insurance Company, ICICI Lombard General Insurance Company and ICICI Prudential Asset Management Company provide a wide range of life and general insurance and asset management products and services to retail and corporate customers. ICICI Prudential Life Insurance Company was the largest private sector life insurance company in India during the six months ended September 30, 2010, with a market share of 9.9% based on new business written (on a retail weighted received premium basis). ICICI Lombard General Insurance Company was the largest private sector general insurance company in India during the six months ended September 30, 2010, with a market share of 10.3% in gross written premium. ICICI Prudential Asset Management Company manages the ICICI Prudential Mutual Fund Limited, which was among the top three mutual funds in India in terms of average funds under management in September 2010 with a market share of 9.8%. We cross-sell the products of our insurance and asset management subsidiaries and of other asset management companies to our retail and corporate customers. Our subsidiaries ICICI Securities Limited and ICICI Securities Primary Dealership Limited are engaged in equity underwriting and brokerage and primary dealership in government securities respectively. ICICI Securities owns icicidirect.com, a leading online brokerage platform. ICICI Securities Limited has a subsidiary in the United States, ICICI Securities Holdings Inc. which in turn has an operating subsidiary in the United States, ICICI Securities Inc., which is engaged in brokerage services. Our private equity fund management subsidiary ICICI Venture Funds Management Company manages funds that make private equity investments.

The Pension Fund Regulatory and Development Authority had selected ICICI Prudential Life Insurance Company as one of the six entities to manage the pension assets of Indian citizens (other than mandated pension funds of government employees) under the New Pension System. The Pension Fund Regulatory and

Development Authority required the sponsor, ICICI Prudential Life Insurance Company, to set up a separate entity for managing such pension funds and maintain a minimum net worth of Rs. 100 million. ICICI Prudential Pension Funds Management Company Limited was thus incorporated on April 22, 2009 as a 100% subsidiary of ICICI Prudential Life Insurance Company, which in turn is our subsidiary.

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. None of the contents of our and our subsidiaries' websites are incorporated in this offering memorandum. Our agent for service of process in the United States is Mr. G.V.S Ramesh, Joint General Manager, ICICI Bank Limited, New York Branch, 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, a 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 in the late 1990s. 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 approved 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.

The Sangli Bank Limited, an unlisted private sector bank, merged with ICICI Bank with effect from April 19, 2007. On the date of acquisition, the Sangli Bank had over 190 branches and extension counters, total assets of Rs. 17.60 billion, total deposits of Rs. 13.20 billion and total loans of Rs. 2.0 billion.

The Bank of Rajasthan, a listed Indian private sector bank merged with us with effect from the close of business on August 12, 2010 and we are in the process of integrating its operations with ours. At August 12, 2010, the Bank of Rajasthan had total assets of Rs. 155.96 billion, deposits of Rs. 134.83 billion, loans of Rs. 65.27 billion and investments of Rs. 70.96 billion. During fiscal 2010, it incurred a loss of Rs. 1.02 billion.

The Bank of Rajasthan was also a sponsoring entity of a regional rural bank called the Mewar Anchalik Gramin Bank, with a holding of 35%. The Mewar Anchalik Gramin Bank had 58 branches with total deposits of Rs. 3.80 billion and total assets of Rs. 4.11 billion at year-end fiscal 2010. It made a profit of Rs. 17.8 million in fiscal 2009 but had accumulated losses of Rs. 0.12 billion at year-end fiscal 2010.

Shareholding Structure and Relationship with the Government of India

The following table sets forth, at October 15, 2010, certain information regarding the ownership of our equity shares.

	Percentage of total equity shares outstanding[(4)]	Number of equity shares held[(4)]
Government-controlled shareholders:		
Life Insurance Corporation of India	9.8%	112,335,976
General Insurance Corporation of India and government-owned general insurance companies	2.5	28,478,689
SUUTI and UTI Mutual Fund	0.8	9,214,013
Other government-controlled institutions, mutual funds, corporations and banks	0.1	849,366
Total government-controlled shareholders	13.1	150,878,044
Other Indian investors:		
Individual domestic investors[(1)(2)]	5.6	64,091,041
Mutual funds and banks (other than government-controlled mutual funds and banks)	5.4	62,128,531
Indian corporates and others	7.9	91,007,873
Total other Indian investors	18.9	217,227,445
Total Indian investors	32.1	368,105,489
Foreign investors:		
Deutsche Bank Trust Company Americas, as depositary for American Depositary Share holders	27.2	312,433,672
Allamanda Investments Pvt. Limited[(3)]	5.1	58,613,201
Other foreign institutional investors, foreign banks, overseas corporate bodies, foreign companies, foreign nationals, foreign institutional investors and non-resident Indians[(1)(2)]	35.6	408,923,388
Total foreign investors	67.9	779,970,261
Total	**100.0**	**1,148,075,750**

(1) Executive officers and directors as a group held approximately 0.1% 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.

(3) A subsidiary of Temasek Holdings Private Limited, Singapore.

(4) Shareholding as on October 15, 2010 includes shares allotted to shareholders of the erstwhile Bank of Rajasthan.

In fiscal 2006, we concluded a capital raising exercise, issuing 148,204,556 equity shares, raising a total of Rs. 80.0 billion through a simultaneous public offering in India and American Depositary Shares offering in the United States, with a Public Offering Without Listing of American Depositary Shares in Japan. The offering was priced at Rs. 498.75 per share for retail investors in India, Rs. 525 per share for other investors in the Indian offering and US$ 26.75 per American Depositary Share. In June 2007, we undertook a capital raising exercise through a simultaneous public offering in India and American Depositary Shares offering in the United States resulting in aggregate the issuance of 208,497,102 equity shares (including partly paid equity shares), raising a total of Rs. 199.7 billion. The offering was priced at Rs. 890 per share for retail investors in India, Rs. 940 per share for other investors in the Indian offering and US$ 49.25 per American Depositary Share.

The holding of government-controlled shareholders was 13.1% at October 15, 2010 against 14.3% at October 16, 2009 and 12.4% at October 17, 2008. The holding of Life Insurance Corporation of India was 9.8% at October 15, 2010 against 10.3% at October 16, 2009, and 8.5% at October 17, 2008.

We operate as an autonomous and commercial enterprise and the Indian government has never directly held any of our shares. We are not aware of or a party to any 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. Our Articles of Association provide that the government of India is entitled, pursuant to the provisions of guarantee agreements between the government of India and ICICI, to appoint a representative to our board. The government of India has appointed one representative to our board. We have traditionally invited a representative of each of the government-controlled insurance companies that are among our principal institutional shareholders, the Life Insurance Corporation of India Limited and the General Insurance Corporation of India Limited to join our board. There is currently no representative of the Life Insurance Corporation of India and the General Insurance Corporation of India on our board. See "Management—Directors and Executive Officers" for a discussion of the composition of our board of directors.

The holding of other Indian investors was 18.9% at October 15, 2010 against 19.1% at October 16, 2009 and 22.2% at October 17, 2008. The total holding of Indian investors was 32.1% at October 15, 2010 against 33.4% at October 16, 2009 and 34.6% at October 17, 2008. The holding of foreign investors was 67.9% at October 15, 2010 against 66.6% at October 16, 2009 and 65.4% at October 17, 2008. See "Supervision and Regulation—Reserve Bank of India Regulations—Ownership Restrictions".

Deutsche Bank Trust Company Americas holds the equity shares represented by 156 million American Depositary Shares outstanding as depositary on behalf of the holders of the American Depositary Shares. The American Depositary Shares 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 approximately 27.2% of our equity shares at October 15, 2010 against 30.0% at October 16, 2009 and 28.6% at October 17, 2008 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

The key elements of our business strategy are to:

- focus on quality growth opportunities by:
  - enhancing our retail and corporate franchise in both domestic and international markets;
  - increasing the proportion of current and savings account and retail term deposits in our domestic deposit base;
  - building a rural banking franchise; and
  - strengthening our insurance, asset management and securities businesses
- emphasize conservative risk management practices and enhance asset quality;
- use technology for competitive advantage; and
- attract and retain talented professionals.

Given the volatile economic environment in fiscal 2009, we focused on capital conservation, liquidity management and risk containment. We tightened our lending norms, especially in the unsecured retail segment and moderated our credit growth. We expanded our branch network with a focus on increasing our low cost and retail deposit base. At the same time, we maintained a strict control on operating expenses.

In fiscal 2010, we focused on repositioning our balance sheet for the next phase of growth. We increased the proportion of current and savings account deposits; reduced the rate of growth of non-performing loans; continued to keep stringent control on operating expenses; and maintained a high level of capital adequacy, relative to the regulatory requirement. Our non-banking subsidiaries engaged in asset management, securities brokering and life insurance have benefited from the recent stabilization and improvement in economic conditions and revival of the equity markets in India. In the near term we expect to grow our loan book by capitalizing on selected credit segments including home loans, other secured retail loans and project finance and growing our commercial banking activities.

Over the last two years we have rebalanced our deposit profile, reduced costs, reduced net non-performing loans and maintained high levels of capital adequacy. Our objective going forward will be to leverage our capital base for profitable growth, while sustaining the improvements in our deposit profile, cost ratios and credit quality. As we grow our businesses, meeting customer expectation on service quality will be a critical element of our strategy.

Overview of Our Products and Services

We offer products and services in the commercial banking area to corporate and retail customers, both domestic and international. We also undertake treasury operations and offer treasury-related products and services to our customers. We are also engaged in insurance, asset management, securities business venture capital and private equity fund management through specialized subsidiaries.

Commercial Banking for Retail Customers

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 the issuance of unsecured redeemable bonds.

Retail Lending Activities

Given the favorable demographics of the country and the under-penetration of retail credit, we identified retail credit as a key opportunity in early 2000. We capitalized on the retail opportunity offering home loans, automobile loans, commercial business loans (including primarily commercial vehicle loans), personal loans, credit cards, loans against time deposits and loans against securities. We also funded dealers who sell automobiles, consumer durables and commercial vehicles. Our retail portfolio was Rs. 1,347.54 billion constituting 58.6% of gross loans at year-end fiscal 2008. Due to the increase in interest rates, the tightening of liquidity, the increase in asset prices and challenges in collections, we reduced our disbursements of retail loans, especially unsecured loans, from fiscal 2008. As a result, the retail portfolio (including developer and dealer financing) declined to Rs. 831.74 billion constituting 41.2% of gross loans at September 30, 2010. However, we continue to believe that retail credit has a robust long-term potential due to rising income levels and expansion of the middle class. We will continue to focus on secured retail products like home loans, car loans and commercial vehicle loans. We will selectively offer unsecured products such as personal loans and credit cards to our existing customers.

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. Any decrease in the rate of interest payable on floating rate home loans is generally effected by an acceleration of the repayment schedule, keeping the monthly installment amount unchanged. Any increase in the rate of interest payable on floating rate home loans is generally effected in the first instance by an extension of the repayment schedule, keeping the monthly installment amount unchanged, and based on certain criteria, by changing the monthly installment amount. See also "Risk Factors—Risks Relating to Our Business—Our banking and trading activities are 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, the quality of our loan portfolio and our financial performance".

The following table sets forth, at the dates indicated, breakdown of our gross (net of write-offs) retail finance portfolio.

	At March 31,			At September 30,	
	2008	2009	2010	2010	2010
	(Rupees in billions)			(US$ in millions)	
Home loans[(1)]	Rs. 664.39	Rs. 575.88	Rs. 474.72	Rs. 505.90	US$ 11,353
Automobile loans	174.66	133.05	85.13	78.47	1,761
Commercial business	203.71	164.40	136.75	125.01	2,806
Two-wheeler loans	29.81	16.91	4.65	2.87	64
Personal loans	144.13	108.66	57.14	47.57	1,068
Credit card receivables	96.45	90.02	59.33	53.91	1,210
Loans against securities and others[(2)]	34.39	13.28	13.47	18.01	404
Total retail finance portfolio	**Rs. 1,347.54**	**Rs. 1,102.20**	**Rs. 831.19**	**Rs. 831.74**	**US$ 18,666**

(1) Includes developer financing of Rs. 69.9 billion at September 30, 2010, Rs. 32.8 billion at year-end fiscal 2010 and Rs. 24.1 billion at year-end fiscal 2009.

(2) Includes dealer financing of Rs. 12.0 billion at September 30, 2010, Rs. 7.7 billion at year-end fiscal 2010 and Rs. 8.8 billion at year-end fiscal 2009.

The proportion of personal loans and credit card receivables in the total retail portfolio was 17.9% at year-end 2008, 18.0% at year-end 2009 and 14.0% at year-end 2010, which decreased to 12.2% at September 30, 2010.

We offer retail lending products primarily in India through ICICI Bank and our wholly owned subsidiary, ICICI Home Finance Company Limited. Our home loan portfolio includes both loans for the purchase and construction of homes as well as loans against property. Our policies for such loans are based on certain stipulated ratios such as the loan-to-value ratio and the ratio of fixed debt obligations to a borrower's income. The initial repayment term of such loans is 15-20 years with payments in the form of equated monthly installments. We conduct a part of our housing loan business through ICICI Home Finance Company.

We also undertake retail lending activities to a very limited extent in certain of our international branches and subsidiaries.

Lending to Small and Medium Enterprises

We have segmented offerings for the small and medium enterprises sector while adopting a cluster based financing approach to fund small enterprises that have a homogeneous profile such as engineering, information technology, transportation and logistics and pharmaceuticals. We also offer supply chain financing solutions to the channel partners of corporate clients and business loans (in the form of cash credit/overdraft/term loans) to meet the working capital needs of small businesses. We are also proactively reaching out to small and medium enterprises through various initiatives such as the small and medium enterprises CEO Knowledge Series—a platform to mentor and assist entrepreneurs; small and medium enterprises toolkit—an online business and advisory resource for small and medium enterprises; and the "Emerging India Awards"—a small and medium enterprises recognition platform.

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. We offer current account (i.e., checking accounts for businesses) products to our small enterprises customers, who maintain balances with us. Further, we offer an international debit card in association with VISA International. At September 30, 2010, we had a debit card base of over 16.1 million cards, which includes 0.4 million debit cards issued by the Bank of Rajasthan.

We are currently placing enhanced emphasis on increasing our current and savings account deposit base and improving the proportion of current and savings accounts in our total deposits. Expansion of our branch network in India is a critical element of this strategy.

For a description of Reserve Bank of India's regulations applicable to deposits in India and required deposit insurance, see "Supervision and Regulation—Reserve Bank of India's 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".

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 offer several card-based products such as credit cards, debit cards, prepaid cards, travel cards and commercial cards. We also offer a variety of mutual fund products from ICICI Prudential Asset Management Company and other select mutual funds. We also levy services charges on deposit accounts.

We also offer fee-based products and services including transaction banking services, 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.

Commercial Banking for Corporate Customers

We provide a range of commercial and investment banking products and services to India's leading corporations and middle market companies. Our product suite includes working capital and term loan products, fee and commission-based products and services, deposits and foreign exchange and derivatives products. The Corporate Banking Group focuses on origination and coverage of all corporate clients. The Corporate Banking Group comprises relationship and credit teams. The Investment Banking Group focuses on execution of investment banking mandates. The Commercial Banking Group is responsible for growing the trade services and transaction banking business through identified branches, while working closely with the corporate relationship teams. The Global Markets Group provides foreign exchange and other treasury products to corporates. The Project Finance Group focuses on origination of large project finance mandates. We seek to syndicate corporate and project financing among domestic and international banks and institutions.

Corporate Loan Portfolio

Our corporate loan portfolio consists of project and corporate finance (including structured finance and cross-border acquisition financing) and working capital financing. For further details on our loan portfolio, see "—Loan Portfolio—Loan Concentration". For a description of our credit rating and approval system, see "—Risk Management—Credit Risk".

Our project finance business consists principally of extending medium-term and long-term rupee and foreign currency loans to the manufacturing and infrastructure sectors. We also provide financing by way of investment in marketable instruments such as fixed rate and floating rate debentures. We generally have a security interest and first charge on the fixed assets of the borrower.

Our working capital financing consists mainly of cash credit facilities and non-fund based facilities including letters of credit and guarantees. 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, structured financing 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 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 commercial banking services such as 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. At September 30, 2010, 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) were Rs. 1,307.70 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".

Foreign Exchange and Derivatives

We provide customer specific products and services, which cater to risk hedging needs of corporates at domestic and international locations, arising out of currency and interest rate fluctuations. The products and services include:

Foreign Exchange Products

Products include cash, spot and forwards transactions. We offer customized hedging and trading solutions to clients, on the basis of their business needs. These products are offered in India and across our international locations covering a number of time zones.

Retail Foreign Exchange Products

Products for retail customers include sale of currency notes, traveler's checks and travel cards. These mainly cater to the segments of outbound tourism and education. We also facilitate retail inward remittances from foreign geographies.

Derivatives

Products include interest rate swaps, currency swaps, options and currency futures. We run one of the largest US dollar/Indian rupee option books in India and provide market making in interest rate and currency derivatives in all G7 currencies.

Commercial Banking for Rural and Agricultural Customers

We believe that rural India is key to sustaining India's current growth momentum and our rural banking strategy seeks to match the growing demand for financial services in rural areas. The Reserve Bank of India's directed lending norms also require us to lend a portion of advances to the rural and agricultural sector. See "—Loan Portfolio—Directed Lending". We provide corporate banking products and services to corporate clients engaged in agriculture-linked businesses. We finance suppliers and vendors of corporates and medium enterprises engaged in agriculture linked businesses. We have also strengthened our relationships with co-operatives that are constituted by farmers. We offer financial solutions to farmers, commodity traders and processors and to micro-finance institutions. Rural banking presents significant challenges in terms of geographical coverage and high unit transaction costs. See also "Risk Factors—Risks Relating to Our Business—Entry into new businesses or expansions of existing businesses may expose us to increased risks that adversely affect our businesses".

Commercial Banking for International Customers

Our strategy for growth in international markets is based on leveraging home country links, technology and infrastructure for international expansion by capturing market share in selected international markets. Our international strategy is focused on building a retail deposit franchise in geographies where we have such licenses, meeting the foreign currency needs of our Indian corporate clients, taking select non-India trade finance exposures linked to imports to India, carrying out select local lending as required by regulations, and achieving the status of the preferred non-resident Indian community bank in key markets. We also seek to build stable wholesale funding sources and strong syndication capabilities to support our corporate and investment banking business, and to expand private banking operations for India-centric asset classes.

We currently have subsidiaries in the United Kingdom, Canada and Russia, branches in the United States, Singapore, Dubai International Finance Center, Sri Lanka, Hong Kong, Qatar and Bahrain and representative offices in China, United Arab Emirates, Bangladesh, South Africa, Thailand, Indonesia and Malaysia. Our subsidiary in United Kingdom has established a branch in Antwerp, Belgium and a branch in Frankfurt, Germany.

Many of the commercial banking products that we offer through our international branches and subsidiaries, as well as to international customers from our domestic network, such as debt financing, trade finance and letters of credit, are similar to the products offered to our customers in India. Some of the products and services that are unique to international customers are:

- Money2India remittance services: Remittances into India increased during this decade, from US$14 billion in fiscal 2001 to US$ 497 billion in fiscal 2009. We recognized the remittance opportunity early on in the decade and started offering a host of remittance services tailored to meet the needs of diverse customer segments. Over the years we have garnered a market share of over 15% of the migrant remittances into India. To facilitate easy transfer of funds to India, we offer a suite of online as well as offline money transfer products as featured on our website www.money2India.com. These innovative, cost effective and convenient products enable non-resident Indians to send money to any beneficiary in India with a wide choice of delivery channels like electronic transfers to accounts with over 60,000 bank branches. The information on the website www.money2India.com is not a part of this offering memorandum.

- TradeWay: an internet-based document collection product to provide correspondent banks access to real-time online information on the status of their export bills collections routed through us.

- Remittance Tracker: an internet-based application that allows a correspondent bank to check on the status of its payment instructions and 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 six main currencies—US dollar, pound sterling, euro, yen, Canadian dollar and Australian dollar.

- 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.

Our international branches had total assets of Rs. 628.89 billion (net of inter-office assets) and total advances of Rs. 486.66 billion at September 30, 2010. Our international branches are primarily funded by debt capital market borrowings and syndicated/bilateral loans and the volatility in the international debt capital markets has constrained our debt capital market borrowings and increased our cost of funding. Given the higher cost of borrowings in the debt capital markets, we have relied on bank/multilateral lines, deposits from high net worth customers and money market borrowings to meet our re-financing requirements. There are higher liability maturities than asset maturities in the near term in our international branches and volatility and liquidity constraints in the international markets may adversely impact our liquidity position.

Our subsidiaries in the United Kingdom and Canada are full service banks offering retail and corporate banking services. In Canada and United Kingdom, our subsidiaries offer direct banking using the internet as the access channel.

At September 30, 2010, ICICI Bank UK PLC had 13 branches, including one in Belgium and one in Germany and assets including cash and liquid securities, loans and advances, bonds and notes of financial institutions, India-linked investments and asset backed securities. Until fiscal 2008, ICICI Bank UK's retail deposits were primarily in the nature of demand deposits through the internet channel. As a prudent asset liability management strategy, ICICI Bank UK invested these deposits mainly into the bonds of financial institutions with generally strong credit ratings. Since fiscal 2009, ICICI Bank UK has focused on re-balancing its deposit base towards retail term deposits and the proportion of retail term deposits in total deposits has increased significantly, from 16% at March 31, 2008 to 75% at September 30, 2010. ICICI Bank UK made a net profit of US$ 17.4 million during the six months ended September 30, 2010, compared to US$ 17.5 million during the six months ended September 30, 2009.

At September 30, 2010, ICICI Bank Canada had nine branches and assets including cash and liquid securities, loans and advances, federally insured mortgages, India-linked investments and asset backed securities. ICICI Bank Canada made a net profit of CAD 14.1 million during the six months ended September 30, 2010 compared to CAD 22.7 million during the six months ended September 30, 2009.

At September 30, 2010, ICICI Bank Eurasia had one branch and total assets of US$ 274 million. ICICI Bank Eurasia made a net profit of US$ 1.2 million during the six months ended September 30, 2010 compared to a net profit of US$ 5.6 million during the six months ended September 30, 2009.

See "Risk Factors—Risks Relating to India and Other Economic and Market Risks—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" and "Risk Factors—Risks Relating to Our Business—We have experienced rapid international growth in the earlier years which has increased the complexity of the risks that we face".

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.

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, 2010.

	At September 30, 2010	
	Number of branches and extension counters	% of total
Metropolitan/urban	1,426	57.0%
Semi-urban/rural	1,075	43.0%
Total branches and extension counters	**2,501**	**100.0%**

At September 30, 2010, we had a network of 2,501 branches and 5,722 ATMs, which includes 457 deposit taking branches and 131 ATMs of the Bank of Rajasthan, which merged with us with effect from the close of business on August 12, 2010. In addition to the deposit taking branches, the Bank of Rajasthan has six service branches. Further, the Bank of Rajasthan was the sponsoring entity of the regional rural bank Mewar Anchalik Gramin Bank, which had 58 branches at March 31, 2010.

We expect our branch network to become key points of customer acquisition and service. Accordingly, during fiscal 2011, we have changed our organization structure to provide greater empowerment to our branches. The branch network is expected to serve as an integrated channel for deposit mobilization and selected retail asset origination Through our website, www.icicibank.com, we offer our customers online access to account information, payment and fund transfer facilities and internet banking business for our corporate clients. We provide telephone banking services through our call center. At September 30, 2010, our call centers in India had over 3,300 workstations. We offer mobile phone banking services to our customers using any cellular telephone service operator in India.

Investment Banking

Our investment banking operations principally consist of ICICI Bank's treasury operations and the operations of ICICI Securities Primary Dealership Limited and ICICI Securities Limited.

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 domestic 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 and small enterprise customers, such as forward contracts and interest rate and currency swaps, and foreign exchange products and services. See "—Commercial Banking for Corporate Customers—Foreign Exchange and Derivatives".

Our treasury undertakes liquidity management by seeking to maintain an optimum level of liquidity and complying with the cash reserve ratio requirement and ensuring the smooth functioning of all our branches. 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. Under Reserve Bank of India's statutory liquidity ratio requirement, we are required to maintain a minimum of 25.0% of our net 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. Further, as a prudent liquidity management strategy, we generally maintain excess investments in securities eligible for classification under the statutory liquidity ratio requirement. See "Supervision and Regulation—Legal Reserve Requirements".

Further, we engage in domestic investments 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 in currencies. Our investment and market risk policies are approved by the board of directors.

Our domestic investment portfolio is classified into three categories—held to maturity, available for sale and held for trading. Investments are classified as held to maturity subject to the current regulation issued by the Reserve Bank of India. 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 the acquisition cost is more than the face value, in which case the premium is amortized over the period until maturity of such securities. At September 30, 2010, 70.0% of our domestic government securities and other approved securities portfolio (net of provisions) was in the held to maturity category. The individual securities in the available for sale category are marked to market. Investments under this category are valued security-wise and depreciation/appreciation is aggregated for each classification. Net depreciation, if any, is provided for. Net appreciation, if any, is ignored. The individual securities in the held for trading category are marked to market as in the case of those in the available for sale category. The following table sets forth, for the periods indicated, the composition of our investment portfolio.

	At March 31,					At September 30,	
	2006	2007	2008	2009	2010	2010	2010
	(Rupees in billions)						(US$ in millions)
Government and other approved securities	Rs. 510.74	Rs. 673.68	Rs. 753.88	Rs. 633.87	Rs. 684.04	Rs. 696.99	US$ 15,642
Debentures and bonds	18.04	24.63	18.87	26.00	36.35	96.90	2,174
Shares	20.58	19.37	29.20	17.03	27.56	31.98	718
Others[(1)]	166.11	194.90	312.59	353.68	460.98	536.89	12,048
Total	**Rs. 715.47**	**Rs. 912.58**	**Rs. 1,114.54**	**Rs. 1,030.58**	**Rs. 1,208.93**	**Rs. 1,362.76**	**US$ 30,582**

(1) Others include investments in subsidiaries and joint ventures, commercial paper, mutual fund units, pass through certificates, security receipts and investments outside India.

We have a limited gross equity portfolio of Rs. 23.54 billion at September 30, 2010. The Reserve Bank of India restricts investments by a bank in equity securities. See also "Supervision and Regulation—Reserve Bank of India Regulations—Regulations relating to Investments and Capital Market Exposure Limits".

In general, we pursue a strategy of active management of our long-term equity portfolio to maximize return on investment. To ensure compliance with the Securities and Exchange Board of India's 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 a lender.

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. The foreign exchange treasury manages our portfolio through money market and foreign exchange instruments to optimize yield and liquidity.

We provide a variety of risk management products to our corporate and small and medium enterprise clients, including foreign currency forward contracts and currency and interest rate swaps. 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. See also "Risk Management—Quantitative and Qualitative Disclosures About Market Risk—Exchange Rate Risk".

Principal Non-Banking Subsidiaries

ICICI Securities Limited

ICICI Securities Limited is engaged in equity underwriting and brokerage. ICICI Securities Limited has an online share trading portal called icicidirect.com. The primary objective of icicidirect.com is to enable individuals to make investments and offer a wide range of investment options by providing a seamless structure that integrates a customer's bank account, demat account and trading account. The portal offers seamless access to the United States markets by tying up with a leading United States based broker. ICICI Securities Limited has a subsidiary in the US. ICICI Securities Holdings Inc., which has a subsidiary in the US, ICICI Securities Inc., which is engaged in brokerage services. During fiscal 2009, ICICI Securities Holdings Inc. completed the purchase of assets (by way of merger) of Global Investment Management, Inc., a registered investment adviser and a New Jersey corporation with offices in Princeton, New Jersey, engaged in investment advisory activities. The business has subsequently been sold. ICICI Securities Limited made a net profit of Rs. 0.54 billion during the six months ended September 30, 2010 compared to Rs. 0.53 billion during the six months ended September 30, 2009.

ICICI Securities Primary Dealership

ICICI Securities Primary Dealership is engaged in the primary dealership of Indian government securities. It also deals in other fixed income securities. In addition to this, it has underwriting, portfolio management services, placement of debt and money market operations. ICICI Securities Primary Dealership made a net loss of Rs. 0.32 billion during the six months ended September 30, 2010 compared to a net profit of Rs. 0.67 billion during the six months ended September 30, 2009. The revenues of the business are directly linked to conditions in the fixed income market.

Venture Capital and Private Equity

Our subsidiary ICICI Venture Funds Management Company Limited manages funds that provide venture capital funding to start-up companies and private equity to a range of companies. At September 30, 2010, ICICI Venture managed or advised funds of approximately Rs. 113.72 billion. ICICI Venture made a net profit of Rs. 0.33 billion during the six months ended September 30, 2010 compared to Rs. 0.30 billion during the six months ended September 30, 2009.

Asset Management

We provide asset management services through our subsidiary, ICICI Prudential Asset Management. ICICI Prudential Asset Management is a joint venture with Prudential PLC of UK. We have approximately 51.0% interest in the entity. ICICI Prudential Asset Management also provides portfolio management services and advisory services to clients. ICICI Prudential Asset Management has also been selected for offering investment management services to the Employee Provident Fund Organization. ICICI Prudential Asset Management had average mutual fund assets under management of Rs. 697.54 billion during the month of September 2010. ICICI Prudential Asset Management made a net profit of Rs. 0.45 billion during the six months ended September 30, 2010 compared to Rs. 0.67 billion during the six months ended September 30, 2009.

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. We have approximately 74.0% interest in both of these entities. Subject to the amendment of foreign ownership regulations, Prudential PLC has the right to increase its shareholding in ICICI Prudential Life Insurance Company to 49% at the market value of the shares to be determined as mutually agreed. Laws and regulations governing insurance companies currently provide that each promoter should eventually reduce its stake to 26% following the completion of ten years from the commencement of business by the concerned insurance company. We and Prudential PLC have agreed that if a higher level of promoter shareholding is permitted, then this would be in the proportion of 51% being held by us and 49% being held by Prudential PLC. See "Supervision and Regulation—Regulations Governing Insurance Companies". Further, we and each of our joint venture partners have a right of first refusal in case the other partner proposes to sell its shareholding in the joint venture (other than transfer to a permitted affiliate of the transferor).

ICICI Prudential Life Insurance Company recorded its first year of accounting profits during fiscal 2010 with a net profit of Rs. 2.58 billion. ICICI Prudential Life Insurance Company made a net loss of Rs. 1.01 billion during the six months ended September 30, 2010, compared to a net loss of Rs. 1.05 billion during the six months ended September 30, 2009. After rapid growth in previous years, the life insurance market in India saw a slowdown in new business in fiscal 2009 and fiscal 2010. The new business annualized premium equivalent of ICICI Prudential Life Insurance Company increased marginally by 0.8% to Rs. 53.45 billion during fiscal 2010 while total premium increased by 7.7% to Rs. 165.32 billion. Renewal premium increased by 19.4% to Rs. 101.98 billion during fiscal 2010. During the six months ended September 30, 2010, the new business annualized premium equivalent increased by 37.7% to Rs 25.26 billion from Rs. 18.34 billion during the six months ended September 30, 2009. The renewal premium during the six months ended September 30, 2010 was Rs. 42.52 billion. ICICI Prudential Life Insurance Company maintained its market leadership in the private sector with an overall market share of about 9.9% based on retail weighted new business received premium during the six months ended September 30, 2010.

ICICI Lombard General Insurance Company made a net profit of Rs. 1.44 billion during fiscal 2010 and a net profit of Rs. 1.37 billion during the six months ended September 30, 2010, compared to Rs. 0.89 billion during the six months ended September 30, 2009. The general insurance industry continued to witness a slowdown in growth because of the de-tariffication of the general insurance industry whereby insurance premiums were freed from price controls, resulting in a significant decline in premium rates. ICICI Lombard General Insurance Company recorded a total gross written premium (excluding its share of the third party insurance pool) of Rs. 34.32 billion in fiscal 2010 compared to Rs. 34.57 billion in fiscal 2009. During the six months ended September 30, 2010, gross written premium (excluding its share of the third party insurance pool) was Rs. 22.09 billion compared to Rs. 16.79 billion during the six months ended September 30, 2009. ICICI Lombard General Insurance Company was the largest private general insurer with a market share of about 10.3% in gross written premium among all general insurance companies during the six months ended September 30, 2010.

We earn commissions and fees from these subsidiaries as their distributor for sales of life and general insurance products.

Funding

Our funding operations are designed to ensure stability of funding, minimize funding costs and effectively manage liquidity. Since the amalgamation of ICICI with ICICI Bank, the primary source of domestic funding has been deposits raised from both retail and corporate customers. We also raise funds through short-term rupee borrowings and domestic or overseas bond offerings pursuant to specific regulatory approvals. Because ICICI was not allowed to raise banking deposits as a financial institution, its primary sources of funding prior to the amalgamation were retail bonds and rupee borrowings from a wide range of institutional investors. 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. With regard to these guarantees by the government of India for purposes of obtaining foreign currency borrowings, the government of India has, in its letter dated May 31, 2007, instructed us to take steps to either repay or prepay such foreign currency borrowings for which a guarantee has been provided by the government of India or to substitute the guarantees provided by the government of India with other acceptable guarantees. At September 30, 2010, our total outstanding loans/bonds that are guaranteed by the government of India were Rs. 23.96 billion, constituting 2.5% of our total borrowings (including subordinated debt and preference share capital) at that date. We are evaluating various options in this regard.

Our international branches fund themselves primarily from wholesale funding sources including bonds, syndicated loans, bilateral loans and inter-bank borrowings. In fiscal 2009, we bought back some of our bonds in the secondary market to capitalize on the increase in credit spreads and diminution in value of these bonds. Our subsidiaries in the United Kingdom and Canada fund themselves primarily through retail deposits.

Our deposits were Rs. 2,230.94 billion at September 30, 2010 compared to Rs. 2,020.17 billion at year-end fiscal 2010 and Rs. 2,183.48 billion at year-end fiscal 2009. Our deposits were 57.2%, 55.6% and 57.6% of our total liabilities (including capital and reserves) at September 30, 2010, at year-end fiscal 2010 and at year-end fiscal 2009, respectively. Our borrowings (including subordinated debt and preference share capital) were 24.9%, 25.9% and 24.6% of our total liabilities (including capital and reserves) at September 30, 2010, at year-end fiscal 2010 and at year-end fiscal 2009 respectively.

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

	At March 31,				At September 30,		
	2009		2010		2010		
	Amount	% to total	Amount	% of total	Amount	% of total	Amount
	(Rupees in billions, except percentages)						(US$ in billions)
Savings deposits	Rs. 410.36	18.8%	Rs. 532.18	26.3%	Rs. 632.48	28.4%	US$ 14.19
Other demand deposits(1)	216.32	9.9	309.98	15.4	348.57	15.6	7.82
Time deposits	1,556.80	71.3	1,178.01	58.3	1,249.89	56.0	28.05
Total deposits	**Rs. 2,183.48**	**100.0%**	**Rs. 2,020.17**	**100.0%**	**Rs. 2,230.94**	**100.0%**	**US$ 50.06**

(1) Includes current account deposits.

Total deposits increased 12.8% from Rs. 1,978.32 billion at September 30, 2009 to Rs. 2,230.94 billion at September 30, 2010 (including Rs. 134.83 billion of deposits of the Bank of Rajasthan at August 12, 2010). Our savings account deposits increased by 28.2% from Rs. 493.18 billion at September 30, 2009 to Rs. 632.48 billion at September 30, 2010, while other demand deposits increased by 47.6% from Rs. 236.12 billion at September 30, 2009 to Rs. 348.57 billion at September 30, 2010. Time deposits increased marginally by 0.1% from Rs. 1,249.02 billion at September 30, 2009 to Rs. 1,249.89 billion at September 30, 2010.

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,		
	2009		2010		2010		
	Amount	Cost	Amount	Cost	Amount	Cost	Amount
	(Rupees in billions, except percentages)						(US$ in billions)
Interest-bearing deposits:							
Savings deposits	Rs. 391.75	2.7%	Rs. 452.49	2.8%	Rs. 542.69	3.5%	US$ 12.18
Time deposits	1,599.63	9.2	1,330.02	7.7	1,211.63	6.2%	27.19
Non-interest-bearing deposits:							
Other demand deposits[2]	188.76	—	188.09	—	210.42	—	4.72
Total deposits	**Rs. 2,180.14**	**7.2%**	**Rs. 1,970.60**	**5.8%**	**Rs. 1,964.74**	**4.8%**	**US$ 44.09**

(1) Represents annualized interest expense divided by the average balances.

(2) Includes current account deposits.

Our average deposits for the six months ended September 30, 2010 were Rs. 1,964.74 billion at an average cost of 4.8% compared to average deposits of Rs. 1,970.60 billion at an average cost of 5.8% for fiscal 2010. Our average time deposits for the six months ended September 30, 2010 were Rs. 1,211.63 billion at an average cost of 6.2% compared to average time deposits of Rs. 1,330.02 billion at an average cost of 7.7% for fiscal 2010.

The following table sets forth the maturity profile of time deposits at September 30, 2010. Non-interest bearing deposits and savings deposits can be withdrawn on demand.

	Up to one year	After one year and within three years	After three years	Total	Total
	(Rupees in billions)				(US$ in billions)
Time deposits[1]	Rs. 943.09	Rs. 260.66	Rs. 46.14	Rs. 1,249.89	US$ 28.05

(1) Excludes savings deposits and non-interest bearing deposits.

The following table sets forth, for the periods indicated, average outstanding borrowings. The average cost of borrowing is provided in the footnotes.

	For the year ended March 31,		For the six months ended September 30,	
	2009	2010	2010	2010
	Amount	Amount	Amount	Amount
	(in billions)			
Rupee borrowing[(1),(2),(3)]	Rs. 343.54	Rs. 492.40	Rs. 483.08	US$ 10.84
Foreign currency borrowing[(1),(4)]	Rs. 653.04	Rs. 591.88	Rs. 585.65	US$ 13.14
Total	**Rs. 996.58**	**Rs. 1,084.28**	**Rs. 1,068.73**	**US$ 23.98**

(1) Averages are averages of quarterly balances at the end of March of the previous fiscal year and June, September, December and March of that fiscal year for fiscal 2009. For fiscal 2010 and for the six months ended September 30, 2010, the average balances are the averages of daily balances, except averages of foreign branches which are calculated on a monthly basis.

(2) 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.

(3) Average cost of rupee borrowing was 10.41% for fiscal 2009, 7.07% for fiscal 2010 and 8.4% for the six months ended September 30, 2010.

(4) Average cost of foreign currency borrowing was 5.01% for fiscal 2009, 4.39% for fiscal 2010 and 3.9% for the six months ended September 30, 2010.

Our average borrowings were Rs. 1,068.73 billion for the six months ended September 30, 2010 compared to Rs. 1,084.28 billion for fiscal 2010 and Rs. 996.58 billion for fiscal 2009.

At September 30, 2010, our outstanding capital instruments were Rs. 345.32 billion of which Rs. 28.23 billion was perpetual debt included in tier I capital and Rs. 317.09 billion was included in tier II capital (of which upper tier II capital was Rs. 138.55 billion). See "Supervision and Regulation—Reserve Bank of India Regulations".

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, monitor and manage the various risks that arise and that the organization adheres strictly to the policies and procedures, which are established to address these risks.

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

- The board of directors has oversight of all the risks assumed by the Bank.
- Specific committees of the board have been constituted to facilitate focused oversight of various risks.
    - The Risk Committee reviews risk management policies in relation to various risks (including portfolio, liquidity, interest rate, operational, investment policies and strategy and regulatory and compliance issues in relation thereto), key risk indicators and risk profile templates (covering areas including credit risk, interest rate risk, liquidity risk, foreign exchange risk and operational risk) and the limits framework, including stress test limits for various risks. The Risk Committee also assesses our capital adequacy position, based on the risk profile of our balance sheet and reviews the implementation status of Basel II norms.
    - The Credit Committee reviews the credit quality of the major portfolios on a periodic basis, reviews developments in key industrial sectors and exposure to these sectors as well as exposure to large borrower accounts in addition to approving certain exposures as per the credit approval authorization policy approved by the Board of Directors.
    - The Audit Committee provides direction to and monitors the quality of the compliance and internal audit function.
    - The Fraud Monitoring Committee reviews frauds above certain values, suggests corrective measures to mitigate fraud risks and monitors the efficacy of remedial actions.

For a discussion of these and other committees, see "—Management".

- Policies approved from time to time by the board of directors form the governing framework for each type of risk. The business activities are undertaken within this policy framework.
- Independent groups and sub-groups have been constituted across the Bank to facilitate independent evaluation, monitoring and reporting of various risks. These groups function independently of the business groups/sub-groups.

The risk management framework forms the basis for developing consistent risk principles across the Bank, overseas branches and overseas banking subsidiaries.

We are primarily exposed to credit risk, market risk, liquidity risk, operational risk and reputational risk. ICICI Bank has centralized groups, the Global Risk Management Group, the Compliance Group, the Corporate Legal Group, the Financial Crime Prevention and Reputation Risk Management 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. In addition, the Credit and Treasury Middle Office Groups and the Global Operations Group monitor operational adherence to regulations, policies and internal approvals. The Global Risk Management Group is further organized into the Global Credit Risk Management Group, Global Market Risk Management Group and the Global Operational Risk Management Group. The Global Risk Management Group reports to the Executive Director and Chief Financial Officer. The Credit and Treasury Middle Office Groups and Global Operations Group report to an Executive Director. The Compliance Group and the Internal Audit Group report to the Audit Committee of the board of directors and the Managing Director and CEO. The Compliance and Internal Audit groups have administrative reporting to the Executive Director and Chief Financial Officer. These groups are independent of the business units and coordinate with representatives of the business units to implement our risk management methodologies.

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, principally the failure to make required payments of loans due to us. In its lending operations, ICICI Bank is principally exposed to credit risk.

All credit risk related aspects are governed by the Credit and Recovery Policy (Credit Policy) approved by the board of directors. The Credit Policy outlines the type of products that can be offered, customer categories, the targeted customer profile and the credit approval process and limits. ICICI Bank measures, monitors and manages credit risk for each borrower and at the portfolio level for non-retail borrowers. It has a structured and standardized credit approval process, which includes a well-established procedure of comprehensive credit appraisal. The Country Risk Management Policy addresses the recognition, measurement, monitoring and reporting of country risk.

Corporate Approval Authorities

The Board of Directors of ICICI Bank has delegated credit approval authority to various committees, forums and individual officers under the credit approval authorization policy. The credit approval authorization policy is based on the level of risk and the quantum of exposure, and is designed to ensure that transactions with higher exposure and higher levels of risk are sent to a correspondingly higher forum/committee for approval.

The Bank has established several levels of credit approval authorities for its corporate banking activities—the Credit Committee, the Committee of Executive Directors, the Committee of Executives and the Regional Committee. Retail credit forums and the Small and Medium Enterprises and Corporate Agriculture group forums have been created for the approval of retail loans and credit facilities to small and medium enterprises and agri-based enterprises.

Corporate Credit Risk

All credit proposals (other than retail products, program lending, score-card based lending to small enterprises and certain other specified products) are rated internally by the Global Credit Risk Management Group, prior to approval by the appropriate forum. The Global Credit Risk Management Group rates proposals, carries out industry analysis, tracks the quality of the credit portfolio and reports periodically to the Credit Committee and the Risk Committee. For non-retail exposures, the Credit Middle Office Group verifies adherence to the terms of the approval prior to the commitment and disbursement of credit facilities. The Bank also manages credit risk through various limit structures, which are in line with the Reserve Bank of India's prudential guidelines. The Bank has set up various exposure limits, including the single borrower exposure limit, the group borrower exposure limit, the industry exposure limit, the unsecured exposure limit, the long tenor exposure limit and limits on exposure to sensitive sectors such as capital markets, non-banking financial companies and real estate.

Risk Monitoring

ICICI Bank has put in place a risk based asset review framework and a post-approval authorization structure to monitor credit facilities. The frequency of asset reviews is higher for cases with higher outstanding and/or lower credit rating. Asset review is submitted to the appropriate approval authority as per the authorization structure. For lending to corporates, small enterprises and rural and agricultural borrowers, the Credit Middle Office Group verifies adherence to the terms of the approval prior to commitment and disbursement of credit facilities.

Retail Credit Risk

Independent groups and sub-groups have been constituted across ICICI Bank to facilitate the independent evaluation, monitoring and reporting of risks. These control groups function independently of the business groups. The sourcing and approval of retail credit exposures are segregated to achieve independence. The Global Credit Risk Management Group, Retail Strategy and Policy Group and credit teams are assigned complementary roles for effective credit risk management.

The Global Credit Risk Management Group oversees the credit risk issues for retail assets including vetting of all credit policies/operating notes proposed for approval by the Board or forums authorized by the Board. The group is involved in portfolio monitoring for all retail assets and suggesting and implementing policy changes. The Retail Strategy and Policy Group, an independent unit within retail banking, focuses on customer-segment specific strategies, policy formulation, portfolio tracking and monitoring, analytics, score card development and database management. The credit team, which is independent from the business unit, oversees the underwriting function and is organized geographically to support the retail sales and service structure.

ICICI Bank's credit officers evaluate credit proposals on the basis of the operating notes approved by the Committee of Executive Directors and the risk assessment criteria defined by the Global Credit Risk Management Group.

Credit Risk Assessment Procedures for Corporate Loans

ICICI Bank currently has an established credit analysis procedure leading to appropriate identification of credit risk both at the individual borrower and the portfolio level. Appropriate appraisal and credit rating methodologies have been established for various types of products and businesses. Internal credit rating practices have been internalized in the Bank and are actively used for decision making over the entire credit process in the corporate portfolio. The rating methodology includes a detailed analysis of the industry, business position, financials, management and projects where applicable. The credit rating process has been certified as being compliant with ISO 9001:2008 quality management system requirements.

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 risks and prospects associated with the industry in which the borrower is operating (industry risk);
- 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 (financial risk);
- the borrower's relative market position and operating efficiency (business risk); and
- the quality of management by analyzing their track record, payment record and financial conservatism (management risk).

After conducting an analysis of a specific borrower's risk, the Global Credit Risk Management Group assigns a credit rating to the borrower. ICICI Bank has a scale of ten ratings ranging from AAA to B, an additional default rating of D and short-term ratings from S1 to S8. A borrower's credit rating is a critical input for the credit approval process. The Bank determines the desired credit risk spread over its cost of funds by considering the borrower's credit rating and the default pattern corresponding to that credit rating. Every proposal for a financing facility is prepared by the relevant business unit and reviewed by the Global 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. The Bank also reviews the ratings of all its 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, ICICI Bank reviews the loan arrangement and the credit rating of the borrower and makes a decision on whether to continue the arrangement and changes in the loan covenants as necessary.

Project Finance Procedures

ICICI Bank has a strong framework for the appraisal and execution of project finance transactions. ICICI Bank believes 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, ICICI Bank appoints 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 include creation of debt service reserves and channeling project revenues through a trust and retention account.

ICICI Bank's project finance loans are generally fully secured and have full recourse to the borrower. In most cases, ICICI Bank has a security interest and first lien on all the fixed assets. Security interests typically include property, plant and equipment as well as other tangible assets of the borrower, both present and future. ICICI Bank's borrowers are required to maintain comprehensive insurance on their assets where we are recognized as payee in the event of loss. In some cases, ICICI Bank also takes additional credit comforts such as corporate or personal guarantees from one or more sponsors of the project or a pledge of the sponsors' equity holding in the project company. In certain industry segments, ICICI Bank also takes a 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.

It is ICICI Bank's 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 ICICI Bank appoints technical and market consultants, they are required to monitor the project's progress and certify all disbursements. ICICI Bank also requires 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. ICICI Bank continues to monitor the credit exposure until its loans are fully repaid.

Corporate Finance Procedures

As part of the corporate loan approval procedures, ICICI Bank carries out a detailed analysis of funding requirements, including normal capital expenses, long-term working capital requirements and temporary imbalances in liquidity. ICICI Bank's 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, ICICI Bank undertakes a detailed review of those requirements and an analysis of cash flows. A substantial portion of ICICI Bank's corporate finance loans are secured by a lien over appropriate assets of the borrower.

The focus of ICICI Bank's 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 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 the structure.

ICICI Bank's analysis enables it to identify risks in these transactions. To mitigate risks, ICICI Bank uses various credit enhancement techniques, such as over-collateralization, cash collateralization, creation of escrow accounts and debt service reserves. ICICI Bank also has a monitoring framework to enable continuous review of the performance of such transactions.

With respect to financing for corporate mergers and acquisitions, ICICI Bank carries out detailed due diligence on the acquirer as well as the target's business profile. The key areas covered in the appraisal process include:

- assessment of the industry structure in the target's host country and the complexity of the business operations of the target;
- financial, legal, tax, technical due diligence (as applicable) of the target;
- appraisal of potential synergies and likelihood of their being achieved;
- assessment of the target company's valuation by comparison with its peer group and other transactions in the industry;
- analysis of regulatory and legal framework of the overseas geographies with regard to security creation, enforcement and other aspects;
- assessment of country risk aspects and the need for political insurance; and
- the proposed management structure of the target post takeover and the ability and past experience of the acquirer in completing post merger integration.

Working Capital Finance Procedures

ICICI Bank carries out a detailed analysis of borrowers' working capital requirements. Credit limits are established in accordance with the approval authorization approved by the Bank's Board of Directors. Once credit limits are approved, ICICI Bank calculates 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, receivables and other current assets. 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 and covered by personal guarantees of the promoters.

Credit Monitoring Procedures for Corporate Loans

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

ICICI Bank's 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, ICICI Bank requires a contribution from the borrower and its loans are secured by the asset financed.

In respect of retail loans, the Bank's credit officers evaluate credit proposals on the basis of the operating notes approved by the Committee of Executive Directors and the risk assessment criteria defined by the Global Credit Risk Management Group. These criteria vary across product segments but typically include factors such as the borrower's income, the loan-to-value ratio and demographic parameters. External agencies such as field investigation agencies facilitate a comprehensive due diligence process including visits to offices and homes in the case of loans made to individual borrowers. In making its credit decisions, ICICI Bank draws upon centralized delinquent database and reports from the Credit Information Bureau (India) Limited to review the borrower's profile. For mortgage loans, a valuation agency or an in-house technical team carries out the technical valuations. In the case of credit cards, in order to limit the scope of individual discretion, ICICI Bank has 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 one of the criteria for loan evaluation.

ICICI Bank has established centralized operations to manage operating risk in the various back office processes of its retail loan business except for a few operations, which are decentralized to improve turnaround time for customers. A separate team under the Retail Strategy and Policy Group undertakes review and audits of credit quality and processes across different products. The Bank also has a debt services management group structured along various product lines and geographical locations, to manage debt recovery. The group operates under the guidelines of a standardized recovery process. A fraud prevention and control group has been set up to manage fraud-related risks, through fraud prevention and through recovery of fraud losses. The fraud control group evaluates various external agencies involved in the retail finance operations, including direct marketing associates, external verification associates and collection agencies.

Small Enterprises Loan Procedures

ICICI Bank finances small enterprises, which are defined generally as enterprises with tangible net worth less than Rs. 500 million. It includes financing dealers and vendors of companies by implementing structures to enhance the base credit quality of the vendor/dealer. The process involves 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.

We are also involved in financing based on a cluster-based approach, financing small enterprises that have a homogeneous profile such as apparel manufacturers and manufacturers of pharmaceuticals. The risk assessment of such a cluster involves the identification of appropriate credit norms for target market, the use of scoring models for enterprises that satisfy these norms and a comprehensive appraisal of those enterprises which are awarded a minimum required score in the scoring model. A detailed appraisal is performed based on the financial as well as non-financial parameters to identify the funding needs of the enterprise. There are appropriate credit structures built in based on the assessment of each case. The group also finances small businesses based on analysis of the business and financials. The assessment includes a scoring model with minimum score requirement before appraisal of these enterprises are conducted.

The risk management policy herein also involves setting up of portfolio control norms, continuous monitoring, renewal 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 is composed of corporates in the rural sector, small and medium enterprises, dealers and vendors linked to these entities and farmers. ICICI Bank seeks to adopt 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, ICICI Bank uses 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. ICICI Bank has incorporated control norms, borrower approval norms and review triggers in all the programs.

ICICI Bank's rural initiative may create additional challenges with respect to managing the risk of frauds and credit monitoring due to the increased geographical dispersion and use of intermediaries. ICICI Bank has put in place control structure and risk management framework to mitigate the related risk. See "Risk Factors—Risks Relating to Our Business—Entry into new businesses or expansions of existing businesses may expose us to increased risks that may adversely affect our business".

Portfolio Review

An analysis of our portfolio composition based on our internal rating is carried out and is submitted to the Risk Committee of the Board on a quarterly basis. This facilitates the identification and analysis of trends in the portfolio credit risk.

The Credit Committee of the Bank, apart from approving proposals, regularly reviews the credit quality of the portfolio and various sub-portfolios, specific cases that need special attention and movement in the non-performing assets portfolio. A detailed calendar of reviews is formulated by the Credit Committee. The review calendar is comprehensive covering ICICI Bank's exposure to particular industries and the outlook for those industries, analysis of non-performing loans, accounts under watch, overdues, incremental approvals and specific review of each portfolio. A summary of the reviews carried out by the Credit Committee is submitted to the Board for its information.

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, credit spreads and other asset prices. Our exposure to market risk is a function of our trading and asset-liability management activities and our role as a financial intermediary in customer-related transactions. These risks are mitigated by the limits stipulated in the Investment Policy and Asset Liability Management Policy, which are approved and reviewed by the board of directors.

Market Risk Management Procedures

Market risk policies include the Investment Policy and the Asset-Liability Management Policy. The policies are approved by the board of directors. The Asset-Liability Management Committee stipulates liquidity and interest rate risk limits, monitors adherence to limits, articulates the organization's interest rate view and determines the strategy in light of the current and expected environment. The policies and processes, which provide the framework for implementing strategy, are articulated in the Asset Liability Management Policy. The Investment Policy addresses issues related to investment products. The policies are designed to ensure that operations in the securities, foreign exchange and derivatives areas are conducted in accordance with sound and acceptable business practices and are as per the current regulatory guidelines, laws governing transactions in financial securities and the financial environment. The policies contain the limit structures that govern transactions in financial instruments.

With regard to our treasury activities, the Board has authorized the Asset-Liability Management Committee and Committee of Executive Directors (Borrowing, Treasury and Investment Operations), to act within the broad parameters laid down by policies approved by the Board. The Asset-Liability Management Committee meets periodically and reviews the positions in domestic trading groups, international branches and banking subsidiaries, interest rate and liquidity gap positions on the banking book, formulates a view on interest rates, sets deposit, benchmark lending and base 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 Global Market Risk Management Group is responsible for the identification, assessment and mitigation of risk. Risk limits including position limits and stop loss limits are monitored on a daily basis by the Treasury Middle Office Group and reviewed periodically. Foreign exchange risk is monitored through the net overnight open foreign exchange limit. Interest rate risk is measured through the use of repricing gap analysis and duration analysis. ICICI Bank prepares 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.

Interest Rate Risk

Our core business is deposit taking and borrowing, and lending in both Indian rupees and foreign currencies, as permitted by the Reserve Bank of India. These activities expose us to interest rate risk.

Our balance sheet consists of Indian rupee and foreign currency assets and liabilities, with a predominantly higher proportion of rupee-denominated assets and liabilities. Thus, movements in domestic interest rates constitute the main source of interest rate risk. Exposure to fluctuations in interest rates is measured primarily by way of gap analysis, providing a static view of the maturity and repricing 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 repricing date. The difference in the amount of assets and liabilities maturing or being repriced in any time period category, gives an indication of the extent of exposure to the risk of potential changes in the margins on new or repriced assets and liabilities. ICICI Bank prepares 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 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 account deposits and current account 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 are generally repaid gradually, with principal repayments being made over the life of the loan. Our housing loans at year-end fiscal 2010 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 or succeeding month, as applicable. Since January 1, 2004, we have used a single benchmark prime lending rate structure for all loans other than specific categories of loans advised by the Indian Banks' Association. Effective July 1, 2010, as required by the Reserve Bank of India, our new loans are priced with reference to a base rate, called the ICICI Bank Base Rate. The Asset Liability Management Committee sets the ICICI Bank Base Rate based on the cost of funds, cost of operations and credit charge. Pricing for all fresh approvals and renewal of facilities is linked to the ICICI Bank Base Rate. The lending rates comprise ICICI Bank Base Rate, term premium and transaction-specific credit and other charges. As specified by the Reserve Bank of India, the lending rates for loans and advances are not permitted to be lower than the ICICI Bank Base Rate with the exception of categories loans specified by the Reserve Bank of India from time to time. As prescribed in the guidelines an option has been given to the existing borrowers for migration to the base rate mechanism. Existing loans, other than cases where the borrower migrates to base rate, would continue to be linked to a benchmark as stipulated in the existing loan agreements. We generally seek to eliminate interest rate risk on undisbursed commitments by fixing interest rates on rupee loans at the time of loan disbursement. Pursuant to regulatory reserve requirements, we maintain a large part of our assets in government of India securities and in interest-free balances with the Reserve Bank of India, which are funded mainly by wholesale deposits and borrowings. This exposes us to the risk of differential movement in the yield earned on statutory reserves and the related funding cost.

Almost all our foreign currency loans are floating rate loans. These loans are generally funded with floating rate foreign currency funds in the case of our overseas branches. We generally convert all our foreign currency borrowings into floating rate dollar liabilities through the use of interest rate and currency swaps with leading international banks. Our overseas subsidiaries in the UK and Canada have fixed rate retail term deposits as their prime funding sources, which reprice slowly, compared to their assets.

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 our 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.

Please also see "Risk Factors—Risks Relating to Our Business—Our banking and trading activities are 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, the quality of our loan portfolio and our financial performance" and "Risk Factors—Risks Relating to Our Business—Our inability to effectively manage credit, market and liquidity risk and inaccuracy of our valuation models and accounting estimates may have an adverse effect on our earnings, capitalization, credit ratings and our cost of funds".

The following table sets forth our asset-liability gap position at September 30, 2010[5].

Maturity buckets	<1 year	1 to 3 years	3 to 5 years	> 5 years	Not sensitive	Total
			(in billions)			
Assets						
Loans & advances	Rs. 1,557.81	Rs. 182.25	Rs. 76.72	Rs. 125.20	Rs. 0.03	Rs. 1,942.01
Investments	284.68	227.17	174.93	407.09	268.89	1,362.76
Cash/Reserve Bank of India balances	—	—	—	—	228.67	228.67
Balances with banks, call and term money[1]	88.33	—	—	—	31.48	119.81
Fixed assets[2]	0.23	0.19	2.53	0.00	44.86	47.81
Other assets	1.91	—	—	5.22	191.81	198.94
Total assets	**1,932.96**	**409.61**	**254.18**	**537.51**	**765.74**	**3,900.00**
Capital and liabilities						
Capital	—	—	—	—	11.51	11.51
Reserves & surplus	—	—	—	—	528.24	528.24
Deposits	1,629.42	228.80	19.88	4.27	348.57	2,230.94
Borrowings	402.97	190.60	47.00	329.53	—	970.10
Others	—	—	—	—	159.21	159.21
Total capital and liabilities	**2,032.39**	**419.40**	**66.88**	**333.80**	**1,047.53**	**3,900.00**
Total gap before risk management positions	(99.43)	(9.79)	187.30	203.71	(281.79)	—
Risk management positions[6]	(212.80)	129.19	28.87	64.84	—	10.10
Total gap after risk management positions	Rs. (312.23)	Rs. 119.40	Rs. 216.17	Rs. 268.55	Rs. (281.79)	Rs. 10.10

(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 the relevant asset-liability management guidelines of the Reserve Bank of India and policies approved by the Bank's Asset-Liability Management Committee.

(4) In computing the maturity profile, certain estimates and assumptions have been made by the Bank.

(5) Assets and liabilities are classified into the applicable categories, based on residual maturity or repricing, whichever is earlier. Classification methodologies are generally based on Asset Liability Management Guidelines issued by the Reserve Bank of India, effective April 1, 2000. Items that neither mature nor reprice are included in the "non-sensitive" category. This includes equity share capital and a substantial part of fixed assets.

(6) The risk management positions comprise rupee and foreign currency swaps.

The following table sets forth, using the balance sheet at September 30, 2010 as the base, one possible prediction of the impact of adverse changes in interest rates on net interest income for fiscal 2011, assuming a parallel shift in the yield curve.

	At September 30, 2010			
	Change in interest rates (in basis points)			
	(100)	(50)	50	100
	(in billions)			
Rupee portfolio	Rs. 1.56	Rs. 0.78	Rs. (0.78)	Rs. (1.56)
Foreign currency portfolio	0.13	0.06	(0.06)	(0.13)
Total	**Rs. 1.69**	**Rs. 0.84**	**Rs. (0.84)**	**Rs. (1.69)**

Based on our asset and liability position at September 30, 2010, the sensitivity model shows that net interest income from the banking book for year ended September 30, 2011. would increase by Rs. 1.69 billion if interest rates decreased by 100 basis points during the year ended September 30, 2011. Conversely, the sensitivity model shows that if interest rates increased by 100 basis points during the year ended September 30, 2011, net interest income for year ended September 30, 2011 would decrease by an equivalent amount of Rs. 1.69 billion.

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.

Price Risk (Trading book)

We undertake trading activities to enhance earnings through profitable trading for our own account. The following table sets forth, using the fixed income portfolio at September 30, 2010 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 fiscal 2011, assuming a parallel shift in yield curve.

	At September 30, 2010				
		Change in interest rates (in basis points)			
	Portfolio Size	**(100)**	**(50)**	**50**	**100**
			(in billions)		
Government of India securities	Rs. 27.03	Rs. 1.39	Rs. 0.69	Rs. (0.69)	Rs. (1.39)
Corporate debt securities	70.00	0.29	0.14	(0.14)	(0.29)
Total	**Rs. 97.03**	**Rs. 1.68**	**Rs. 0.83**	**Rs. (0.83)**	**Rs. (1.68)**

At September 30, 2010, the total market value of our rupee fixed income trading portfolio was Rs. 97.03 billion. The sensitivity model shows that if interest rates increase by 100 basis points during fiscal 2011, the value of this portfolio would fall by Rs. 1.68 billion. Conversely, if interest rates fell by 100 basis points during fiscal 2011, the value of this portfolio would rise by Rs. 1.68 billion.

At September 30, 2010, the total outstanding notional principal amount of our trading interest rate derivatives portfolio was Rs. 3,694.24 billion. The sensitivity model shows that if interest rates increase by 100 basis points, the value of this portfolio would rise by Rs. 2.27 billion. At September 30, 2010, the total outstanding notional principal amount of our trading currency derivatives (options and cross currency interest rate swaps) portfolio was Rs. 1,195.21 billion. The sensitivity model shows that if interest rates increase by 100 basis points, the value of this cross currency interest rate swaps portfolio would fall by Rs. 0.98 billion.

Equity Risk

We assume equity risk both as part of our investment book and our trading book. At September 30, 2010, we had a total equity investment portfolio of Rs. 23.54 billion. In the investment book, investments in equity shares and preference shares are essentially long-term in nature. For further information on our trading and available for sale investments, see "—Overview of Our Products and Services—Investment Banking—Treasury".

We also invest in the corpus of equity capital/venture funds, primarily those managed by our subsidiary ICICI Venture Funds Management Company. These funds invest in equity/equity linked instruments. Our investments through these funds are similar in nature to other equity investments and are subject to the same risks. In addition, they are also subject to risks in the form of changes in regulation and taxation policies applicable to such equity funds.

Equity risk in the trading portfolio is monitored through Value at Risk and stop loss limits as stipulated in the Investment Policy.

Exchange Rate Risk

We offer foreign currency hedge instruments like swaps, forwards, and currency options to clients, which are primarily banks and corporate customers. We actively use cross currency swaps, forwards, and options to hedge against exchange risks arising out of these transactions as well as against foreign currency loans that may be made in currencies different from the currencies of the borrowings supporting them. Some of these transactions, however, may not meet the hedge accounting requirements and are subject to mark to market. 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 primarily 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 limits specified in the Investment Policy. The foreign exchange rate risk is monitored through the net overnight open position limit approved by the Reserve Bank of India.

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.

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 offer various derivative products, including options and swaps, to our clients for their risk management purposes. We generally do not carry market risk on client derivative positions as we cover ourselves in the inter-bank market. Profits or losses on account of currency movements on these transactions are borne by the clients. During fiscal 2009, due to high exchange rate volatility as a result of the financial crisis, a number of clients experienced significant mark-to-market losses in derivative transactions. On maturity or premature termination of the derivative contracts, these mark-to-market losses became receivables owed to us. Some clients did not pay their derivatives contract obligations to us in a timely manner and, in some instances, clients filed lawsuits to avoid payment of derivatives contract obligations entirely. See also "Risk Factors—Risks Relating to Our Business—We and our customers are exposed to fluctuations in foreign exchange rates". In other instances, at the request of clients, we converted overdue amounts owed to us into loans and advances.

In October 2008, the Reserve Bank of India issued guidelines requiring banks to classify derivative contract receivables overdue for 90 days or more as non-performing assets. Pursuant to these guidelines, we reverse derivative contracts receivables in our income statement when they are overdue for 90 days or more. After reversal, any expected recovery is accounted for only on actual receipt of payment.

We pursue a variety of recovery strategies to collect receivables owed in connection with derivative contracts. These strategies include, among other approaches, set-offs against any other payables to the same client, negotiated settlements, rescheduling of obligations, the exercise of rights against collateral (if available) and legal redress. We select collection strategies and make assessments of collectability based on all available financial information about a client account as well as economic and legal factors that may affect our recovery efforts.

We also invest in credit derivatives through our overseas branches and banking subsidiaries. Our derivative transactions are subject to risk of default on the underlying exposure and counterparty risk to the extent particular obligors are unable to make payments on contracts when due.

Credit Spread Risk

Credit spread risk arises out of our investments in fixed income securities and credit derivatives. Hence, volatility in the level of credit spreads would impact the value of these portfolios held by us. The portfolio is monitored closely and risk is monitored by setting reference entity exposure limits, value-at-risk limits, counterparty limits and stipulating daily and cumulative stop-loss limits.

Liquidity Risk

Liquidity risk is the current and prospective risk arising out of an inability to meet financial commitments as they fall due, through available cash flows or through the sale of assets at fair market value. 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 risk management is to be able, even under adverse conditions, to meet all liability repayments on time and to fund all investment opportunities by raising sufficient funds either by increasing liabilities or by converting assets into cash expeditiously and at reasonable cost.

The Bank manages liquidity risk in accordance with its asset liability management policy. This policy is framed as per the current regulatory guidelines and is approved by the board of directors. The asset liability policy is reviewed periodically to incorporate changes as required by regulatory stipulation or to realign the policy with changes in the economic landscape. The Asset-Liability Management Committee of the Bank formulates and reviews strategies and provides guidance for management of liquidity risk within the framework laid out in the asset liability management policy. The Asset-Liability Management Committee comprises whole-time directors, Senior General Managers in charge of Risk, Treasury and Deputy Chief Financial Officer and heads of business groups. The Risk Committee of the Board oversees the Asset-Liability Management Committee.

The Bank uses various tools for the measurement of liquidity risk including the statement of structural liquidity, dynamic liquidity gap statements, liquidity ratios and stress testing through scenario analysis. The statement of structural liquidity is used as a standard tool for measuring and managing net funding requirements and the assessment of a surplus or shortfall of funds in various maturity buckets in the future. The cash flows pertaining to various assets, liabilities and off-balance sheet items are placed in different time buckets based on their contractual or behavioral maturity. The statement of structural liquidity is prepared periodically for the domestic and international operations of the Bank and the utilization against gap limits for various time buckets laid down for each bucket are reviewed by the Asset-Liability Management Committee.

The Bank also prepares dynamic liquidity statements, which in addition to scheduled cash flows, also considers the liquidity requirements pertaining to incremental business and the funding thereof. The dynamic liquidity statements are prepared in close coordination with the business groups, and cash flow projections based on the statements are periodically presented to the Asset-Liability Management Committee. As a part of the stock and flow approach, the Bank also monitors various liquidity ratios, and limits are laid down for these ratios under the asset liability management policy.

The Bank has diverse sources of liquidity to allow for flexibility in meeting funding requirements. For the domestic operations, current accounts and savings deposits payable on demand form a significant part of the Bank's funding and the Bank is implementing its strategy to sustain and grow this segment of deposits along with retail term deposits. These deposits are augmented by wholesale deposits, borrowings and through the issuance of bonds and subordinated debt from time to time. Loan maturities and sale of investments also provide liquidity. The Bank holds unencumbered, high quality liquid assets to protect against stress conditions.

For domestic operations, the Bank also has 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. To limit the reliance on such volatile funding, the asset liability management policy stipulates stringent limits for borrowing and lending in the inter-bank market. The Bank also has access to refinancing facilities extended by the Reserve Bank of India against refinance eligible assets.

For its overseas operations, the Bank also has a well-defined borrowing program. The US dollar is the base currency for the overseas branches of the Bank, apart from the branches where the local currency is not freely convertible. In order to maximize the borrowings at reasonable cost, liquidity in different markets and currencies is targeted. The wholesale borrowings are in the form of bond issuances, syndicated loans from banks, money market borrowings, inter-bank bilateral loans and deposits, including structured deposits. The Bank also raises refinance from banks against the buyers credit and other forms of trade assets. Those loans that meet the Export Credit Agencies' criteria are refinanced as per the agreements entered into with these agencies. The Bank is also focused on increasing its share of retail deposit liabilities, in accordance with the regulatory framework in place in the host country.

We maintain prudential levels of liquid assets in the form of cash, balances with the central bank and government securities. Currently, as stipulated by the regulator, banks in India are required to maintain their statutory liquidity ratio at a level of 25% of net demand and time liabilities and their cash reserve ratio at a level of 6% of net demand and time liabilities. The Bank generally holds additional statutory liquidity ratio eligible securities as a proportion of net demand and time liabilities.

Further, the Bank has a board-approved liquidity stress testing framework, under which the Bank estimates its liquidity position under a range of stress scenarios. These scenarios cover bank specific and market-wide stress situations and have been separately designed for the domestic and international operations of the Bank. The potential impact on profit of meeting the stress outflows under these scenarios is measured and is subject to a stress tolerance limit specified by the board of directors. The results of liquidity stress testing are reported to the Asset- Liability Management Committee on a monthly basis.

The Risk Committee of the board further approved a Liquidity Contingency Plan which lays down a framework for ongoing monitoring of potential liquidity contingencies and an action plan to meet such contingencies. The Liquidity Contingency Plan lays down several triggers, which are monitored on a weekly basis and defines the protocol and responsibilities of various teams in the event of a liquidity contingency.

Similar frameworks to manage liquidity risk have been established at each of the overseas banking subsidiaries of the Bank addressing the risks they run and host country regulatory requirements, as applicable.

Our subsidiaries continue to be funded primarily out of term deposits, which are of tenors of one year and above, raised from their respective local markets. Our subsidiary in the United Kingdom offers an internet-based online savings deposit product to depositors. The total amount of such deposits at year-end fiscal 2010 was US$ 1.3 billion. These deposits are payable on demand. At present, these deposits are classified as outflow in the less than eight days liquidity bucket as required by the Financial Services Authority of the United Kingdom under current regulations. We deploy these funds in a portfolio of short-term money market placements and marketable securities. We may face liquidity risk in case of high volumes of deposit withdrawals.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Our rapid growth over the last few years both internationally and domestically exposes us to a greater operational risk than banks in developed countries. Operational risk includes legal risk but excludes strategic and reputational risks. Legal risk includes, but is not limited to, exposure to fines, penalties or punitive damages resulting from supervisory actions, as well as private settlements. For a discussion on our vulnerability to operational risk, see “Risk Factors—Risks Relating to Our Business—There is operational risk associated with financial industries which, when realized, may have an adverse impact on our business”.

The management of operational risk in the organization is governed by the Operational Risk Management Policy approved by the board of directors. The policy is applicable across the Bank including overseas branches, ensuring that there is clear accountability and responsibility for management and mitigation of operational risk, developing a common understanding of operational risk, helping the business and operation groups units to improve internal controls, thereby reducing the probability and potential impact of losses from operational risks while meeting regulatory requirements. Operational risk 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. Operational risk is sought to be mitigated 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.

In each of the banking subsidiaries, local management is responsible for implementing operational risk management framework through the operational risk management policy approved by their respective boards.

Operational Controls and Procedures in Branches

The Bank has put in place comprehensive operating manuals detailing procedures for the processing of various banking transactions and the operation of the application software. Amendments to these manuals are implemented through circulars, which are accessible to our branch employees on the company intranet. In addition, our branches are supported by audit and compliance, product and marketing teams. Our core banking application software has multiple security features to protect the integrity of applications and data.

Transactions relating to customer accounts are processed based on built-in system checks and authorization procedures. Cash transactions over a specified limit are subjected to enhanced scrutiny to avoid potential money laundering.

Operational Controls and Procedures for Internet Banking

The Bank has put in place controls for transactions through internet banking including two levels of passwords. In addition to this, grid level authentication (a grid is a unique set of numbers printed on the debit card) is also required. Internet transactions using credit cards require password-based authentication. To prevent phishing and internet related fraud, the Bank regularly communicates with customers. The internet banking infrastructure is secured through the multi layer information security controls, including firewalls, intrusion prevention systems and network level access controls. These are supplemented by periodic penetration tests, vulnerability assessments and continuous security incident monitoring of internet banking servers.

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

The Bank has centralized operations at regional processing centers located at various cities across 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 auto-renewal of deposits. There are currency chests located at 32 locations in various cities across India, which cater to replenishment of ATMs and the cash requirements of branches.

In Mumbai, centralized transaction processing is carried out on a nation-wide basis for transactions including the issuance of ATM cards and personal identification number mailers, reconciliation of ATM transactions, issue of passwords to internet banking customers, internet banking bill payments, and processing of credit card transactions. Centralized processing has also been extended to activities like the issuance of personalized check books and activation of new account opening.

Operational Controls and Procedures in Treasury

The Bank has put in place a comprehensive internal control structure with respect to its treasury operations. The control measures include the segregation of duties between treasury front-office and treasury middle office, elaborate automated control procedures, continuous monitoring procedures through detailed reporting statements, and well defined code of conduct for dealers. The Bank has also set up limits in respect of treasury operations including deal-wise limits and product-wise limits. In order to mitigate the potential mis-selling risks, if any, a labeling policy has been implemented. Similarly in order to mitigate potential contractual risks, if any, negotiations for deals are recorded on a voice recording system. All key processes in treasury operations are documented and approved by the Bank's Product and Process Approval Committee. Some of the control measures include deal validation, independent confirmation, documentation, limits monitoring, treasury accounting, settlement, reconciliation and regulatory compliance. Middle office group reviews the unconfirmed, unsettled deals if any, on a regular basis and follows up for timely confirmation or settlement. There is a mechanism of escalation to senior management in case of delays in settlement or confirmation beyond a time period. In addition to the above, concurrent and internal audits are also there in respect of treasury operations. The control structure in our treasury operations is designed to minimize errors, prevent potential frauds, and provide early-warning signals.

Operational Controls and Procedures in Retail Asset Operations

Retail asset operations comprise, decentralized retail asset operations and central asset operations. Activities of decentralized operations include disbursement and regular banking activities. Decentralized retail asset operations support operations relating to retail asset products across the country. Disbursements are done through automated processes like fund transfers through the National Electronic Funds Transfer system, Real Time Gross Settlement system with sufficient internal checks. No single team has the full authority to complete a transaction and carry out financial reconciliation. An independent team conducts regular banking activity, reconciliation and publishes management reports to the senior management.

The central asset operations unit is located in Mumbai while regional operations units are located at Delhi and Chennai. These central and regional units support operations relating to retail asset products across the country. The central asset operations unit carries out activities like loan accounts maintenance, accounting and reconciliation, payouts, and repayment management activities for all retail asset products.

Operational Controls and Procedures for Corporate Banking

Corporate Banking is organized into a zonal structure. The front office is responsible for sourcing clients and performing a credit analysis of the proposal. The credit risk is independently evaluated by the Risk Management Group. Operations regarding corporate banking products and services are supported by middle office and back office with well defined process ownership. The key processes and their ownership are documented through process notes which are reviewed periodically. The middle office conducts verification and scrutiny of the documents and memos to ensure mitigation of post-approval risks. It also monitors adherence to the terms of approval by periodically publishing compliance monitoring reports. The back office in corporate operations units is comprised of units responsible for the execution of trade finance, cash management and general banking transactions based on the requests and instructions initiated through channels including branches.

Operational Controls and Procedures in Rural Loan Operations

Operational controls and procedures for corporate customers in rural and agricultural banking are similar to those for our other corporate customers. For other loans, duly approved disbursement requests are submitted to local operations teams where they are checked for completeness and tallied with the terms of approval, before loans are disbursed. Account reconciliation and other monitoring activities are conducted centrally by an independent team.

Anti-Money Laundering Controls

We have taken several initiatives to implement the Know Your Customer/Anti-money Laundering /Combating of Financing of Terrorism guidelines issued by the Reserve Bank of India and the rules notified under Prevention of Money Laundering Act, 2002.

These initiatives include formulation of a Group Anti Money Laundering Policy with the approval of the board of directors of the Bank which also covers our overseas branches/subsidiaries, oversight by the Audit Committee of the board of directors on the implementation of the anti-money laundering framework, appointment of a senior level officer as Money Laundering Reporting Officer who has the day-to-day responsibility for implementation of the anti-money laundering framework, implementation of adequate Know Your Customer procedures based on risk categorization of customer segments, screening of names of customers with negative lists issued by the regulators and customer risk categorization for classifying the customers into high, medium and low risk segments. The Know Your Customer procedures are based on basic due diligence for low risk customers, enhanced due diligence for high risk customers and simplified due diligence for small deposit accounts in terms of Reserve Bank of India guidelines.

We also adhere to the anti-money laundering reporting requirements as specified by the regulators of respective geographies. A dedicated anti-money laundering software has been implemented for the domestic as well as overseas operations of the Bank to facilitate the process of risk based transaction monitoring. The anti-money laundering framework is subject to audit by the Internal Audit Department and their observations are periodically updated to the Audit Committee. We have also taken appropriate steps to train our employees on Know Your Customer and anti-money laundering and to create customer awareness on this subject.

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.

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 assets, liabilities and other exposure. We have a well defined process of concurrent audits, whereby external accounting firms are engaged to carry out the concurrent audits. Concurrent audits are also carried out at centralized and regional processing centers and at centralized operations to ensure existence of and adherence to internal controls.

The audit of overseas banking subsidiaries is carried out by a dedicated team of resident auditors attached to the respective subsidiaries. The resident audit team functionally reports to Internal Audit Group. The audit of overseas branches and representative offices are carried out by audit teams consisting of auditors from India as well as a resident auditor based at the Singapore branch. International operations outsourced to India are audited by a team of auditors in India.

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. The uncertainty of the enforceability of the obligations of our customers and counter-parties, including the foreclosure on collateral, creates legal risk. Changes in laws and regulations could adversely affect us. Legal risk is higher in new areas of business where the law is often untested by the courts. We seek to minimize legal risk by using stringent legal documentation, employing procedures designed to ensure that transactions are properly authorized and consulting internal and external legal advisors. See "Risk Factors—Risks Relating to Our Business—We are involved in various litigations. 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 the notes" and "Risk Factors—Risks Relating to Our Business—Regulatory changes in India or other jurisdictions in which we operate could adversely affect our business".

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. Policies at the overseas banking subsidiaries are framed in consultation with 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. Compliance risk assessment along with the key risk indicators pertaining to our domestic and international banking operations are presented to the Risk Committee of our board of directors on a quarterly basis. Management of regulatory compliance risk is considered as an integral component of the governance framework at the Bank and its subsidiaries along with the internal control and enterprise-wide risk management frameworks. The Bank has therefore adopted an appropriate framework for compliance, by formulating the Group Compliance Policy, which is approved by the board of directors and is reviewed from time to time. The Group Compliance Policy outlines a framework for identification and evaluation of the significant compliance risks, on a consolidated or Group-wide basis, in order to assess how these risks might affect our safety and soundness.

Risk Management in Key Subsidiaries

ICICI Securities Primary Dealership 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 Primary Dealership has developed comprehensive risk management policies which seek to minimize risks generated by the activities of the organization. The Corporate Risk Management Group develops and maintains models to assess market risks which are constantly updated to capture the dynamic nature of the markets and in this capacity, participates in the evaluation and introduction of new products and business activities.

ICICI Securities Primary Dealership has constituted an internal Risk Management Committee comprising the Managing Director and CEO and senior executives from cross-functional areas. The Committee debates various aspects of risk management and among other things decides risk and investment policies for its various businesses and ensures compliance with regulatory guidelines on risk management as well as with all the prudential and exposure limits set by the board of directors.

ICICI Prudential Life Insurance Company 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 governance structure consists of the Board, Board Risk Committee, Executive Risk Committee and its sub-committees. The risk management model of the organization is comprised of a four stage continuous cycle: identification and assessment, measurement, monitoring and control of risks. The company has in place a risk management policy which details the strategy and procedure adopted to identify, measure, monitor and control risk at the enterprise level. To manage investment risk, the company has a prudent investment strategy to optimize risk-adjusted returns. ICICI Prudential Life Insurance Company's asset-liability management framework is designed to cushion and mitigate the investment related risks of assets. The assets under management for the unit-linked insurance product portfolio, amount to over 90% of policyholders' funds. There is minimal asset-liability mismatch risk to the linked portfolio. As part of asset-liability management for the non-linked portfolio, ICICI Prudential Life Insurance Company manages the risk due to guaranteed returns by investing only in fixed income instruments and manages the interest rate risk through monthly rebalancing of the portfolio, to manage the duration gap between assets and liabilities. In addition, for certain products, a cash flow matching strategy is also used. For 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. ICICI Prudential Life Insurance Company's Insurance Risk Committee assists the Executive Risk Committee in identification, measurement, monitoring and control of insurance risks like demographic and expense risks. The Operational Risk Committee assists the Executive Risk Committee in the identification, measurement, monitoring and control of operational risks. The company categorizes operational risk using the Basel II framework. For mitigating operational risks, the management assesses and rates the key risk indicators and prepares a mitigation plan. A risk report summarizing the key risks faced by the enterprise is placed before the Board Risk Committee on a periodic basis.

ICICI Lombard General Insurance Company is principally exposed to risks arising out of the nature of business underwritten and credit risk on its investment portfolio as well as the credit risk it carries on its reinsurers. In respect of business risk, ICICI Lombard General Insurance always seeks to diversify its insurance portfolio across industry sectors and geographical regions. The company focuses on achieving a balance between the corporate and retail portfolio mix to achieve favorable claim ratio and risk diversification. The company also has the ability to limit its risk exposure by way of re-insurance arrangements. Investments of the company 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.

Loan Portfolio

Loan Concentration

We follow a policy of portfolio diversification and evaluate our total financing exposure to a particular industry in light of our forecasts of growth and profitability for that industry. Our Global Credit Risk Management Group monitors all major sectors of the economy and specifically tracks 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 our portfolio to any particular industry (other than retail loans) to 15.0% of our total exposure. Between 2003 and 2006, the banking system as a whole saw significant expansion of retail credit, with retail loans accounting for a major part of overall systemic credit growth. Accordingly, during these years, we increased our financing to the retail finance segment. Given the uncertain economic environment, we accorded priority to risk containment, liquidity management and capital conservation. In view of high asset prices and the increase in interest rates since the second half of fiscal 2008, we followed a conscious strategy of moderation of retail disbursements, especially in the unsecured retail loans segment. At the same time, there has been an increase in demand for credit from the corporate sector. Following this trend, our loans and advances to the retail finance segment constituted 41.2% of our gross loans and advances at September 30, 2010 compared to 44.4% at year-end fiscal 2010 and 49.3% at year-end fiscal 2009.

Pursuant to the guidelines of the Reserve Bank of India, our credit exposure to an individual borrower generally must not exceed 15.0% of our capital funds, unless the exposure is in respect of an infrastructure project. Capital funds comprise tier I and tier II capital calculated pursuant to the guidelines of the Reserve Bank of India under Indian GAAP. Credit exposure to individual borrowers may exceed the exposure norm of 15.0% of our capital funds by an additional 5.0% (i.e., the aggregate exposure can be 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 generally must not exceed 40.0% of our capital funds unless the exposure is in respect of an infrastructure project. The exposure to a group of companies under the same management control, including exposure to infrastructure projects, may be up to 50.0% of our capital funds. Banks may, in exceptional circumstances, with the prior approval of their boards, enhance the exposure by 5.0% of capital funds (i.e., the aggregate exposure can be up to 20.0% of capital funds for an individual borrower and 45.0% of capital funds for a group of companies under the same management), making appropriate disclosures in their annual reports. Exposure for funded and non-funded credit facilities is calculated as the total committed amount or the outstanding amount whichever is higher (for term loans, as the sum of undisbursed commitments and the outstanding amounts). Investment exposure is considered at book value. At September 30, 2010, we were in compliance with these guidelines. During the six months ended September 30, 2010, our exposure to Reliance Industries Limited exceeded the stipulated ceiling of 15.0% of capital funds. This excess exposure was duly approved by the majority of directors, with exposure remaining within 20.0% of the capital funds in accordance with the guidelines issued by the Reserve Bank of India.

At September 30, 2010, our largest borrower accounted for approximately 14.1% of our capital funds. The largest group of companies under the same management control accounted for approximately 30.0% of our capital funds.

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

	At March 31, 2009		At March 31, 2010		At September 30, 2010		
	Total	% of total	Total	% of total	Total	% of total	Total
	(in billions, except percentages)						(US$ in millions)
Retail finance[1]	Rs. 1,102.20	49.3%	Rs. 831.19	44.4%	Rs. 831.74	41.2%	US$ 18,666
Services — non-finance	168.05	7.5	135.21	7.2	173.45	8.6	3,893
Crude petroleum/refining and petrochemicals	142.04	6.4	132.86	7.1	146.48	7.3	3,287
Road, ports, telecom, urban development and other infrastructure	94.62	4.2	103.94	5.5	139.12	6.9	3,122
Services — finance	77.68	3.5	64.56	3.4	95.70	4.7	2,148
Iron/steel and products	99.14	4.4	86.26	4.6	90.41	4.5	2,029
Power	54.19	2.4	56.49	3.0	90.33	4.5	2,027
Food and beverages	53.57	2.4	61.54	3.3	50.13	2.5	1,125
Wholesale/retail trade	26.29	1.2	44.47	2.4	37.56	1.9	843
Electronics and engineering	36.17	1.6	31.54	1.7	34.95	1.7	784
Construction	23.86	1.1	17.91	1.0	30.31	1.5	680
Chemical and fertilizers	51.83	2.3	46.27	2.5	20.29	1.0	455
Textiles	17.38	0.8	19.16	1.0	20.28	1.0	455
Other industries[2]	289.19	12.9	241.74	12.9	255.74	12.7	5,739
Total	**Rs. 2,236.21**	**100.0%**	**Rs. 1,873.14**	**100.0%**	**Rs. 2,016.49**	**100%**	**US$ 45,253**

(1) Includes home loans, automobile loans, commercial business loans, two wheeler loans, personal loans, credit cards, dealer funding and developer financing portfolio.

(2) Other industries primarily includes automobiles, cement, drugs and pharmaceuticals, fast-moving consumer goods, gems and jewelry, manufacturing products excluding metal, metal and products (excluding iron and steel), mining and shipping etc

Our retail advances were 41.2% of our total advances at September 30, 2010 compared to 44.4% at year-end fiscal 2010 and 49.3% at year-end fiscal 2009. Our advances to the services (non-finance sector) were 8.6% of our total advances at September 30, 2010 compared to 7.2% at year-end fiscal 2010 and 7.5% at year-end fiscal 2009. Our advances to the crude petroleum/refining and petrochemicals sector were 7.3% of our total advances at September 30, 2010 compared to 7.1% at year-end fiscal 2010 and 6.4% at year-end fiscal 2009. Our advances to the road, ports, telecom, urban development and other infrastructure sectors were 6.9% of our total advances at September 30, 2010, compared to 5.5% at year-end fiscal 2010 and 4.2% at year-end fiscal 2009.

Directed Lending

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

Priority Sector Lending

The Reserve Bank of India guidelines require banks to lend 40.0% of their adjusted net bank credit, or the credit equivalent amount of off balance sheet exposure, whichever is higher, to certain specified sectors called priority sectors. The definition of adjusted net bank credit does not include certain exemptions and includes certain investments and is computed with reference to the outstanding amount at March 31 of the previous year. Priority sectors include the agricultural sector, food and agri-based industries, small and micro enterprises and small businesses and housing finance up to certain limits. Out of the 40.0%, banks are required to lend a minimum of 18.0% of their adjusted net bank credit to the agriculture sector (of which 13.5% is required towards direct agriculture) and the balance to certain specified sectors, including small enterprises (defined as enterprises engaged in manufacturing/production, processing and services businesses with a certain limit on investment in plant and machinery), small road and water transport operators, small businesses, professional and self-employed persons, and all other service enterprises, micro credit, education and housing loans up to Rs. 2.0 million to individuals for purchase/construction of a dwelling unit per family.

In its letter dated April 26, 2002, which granted its approval for the amalgamation, the Reserve Bank of India stipulated that since the loans of the erstwhile ICICI Limited (ICICI) 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 adjusted net bank credit on the residual portion of our advances (i.e., the portion of total advances excluding advances of ICICI at year-end fiscal 2002, referred to as "residual adjusted 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 adjusted 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.

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, the Small Industries Development Bank of India and the National Housing Bank. These deposits have a maturity of up to seven years and carry interest rates lower than market rates. At year-end fiscal 2010, total investments in such bonds were Rs. 101.10 billion. See "Supervision and Regulation—Directed Lending—Priority Sector Lending".

As per the Reserve Bank of India guidelines, banks are also required to lend to the weaker sections 10.0% of adjusted net bank credit or credit equivalent amount of off-balance sheet exposures, whichever is higher. In order to ensure that the sub-target of lending to the weaker sections is achieved, with effect from year-end fiscal 2009, the Reserve Bank of India has decided to take into account the shortfall in lending to weaker sections also, as on the last reporting Friday of March of each year, for the purpose of allocating amounts to the domestic scheduled commercial banks for contribution to the Rural Infrastructure Development Fund maintained with the National Bank for Agriculture and Rural Development or funds with other financial institutions, as specified by the Reserve Bank of India.

ICICI Bank is required to comply with the priority sector lending requirements on the last "reporting Friday" of each fiscal year. At March 26, 2010, which was the last reporting Friday for fiscal 2010, our priority sector loans were Rs. 626.98 billion, constituting 51.3% of our residual adjusted net bank credit against the requirement of 50.0%. At that date, qualifying agricultural loans were 18.7% of our residual adjusted net bank credit as against the requirement of 18.0%, out of which advances to direct agriculture amounted to Rs. 173.29 billion constituting 14.2% of our residual adjusted net bank credit against the requirement of 13.5%. Our advances to weaker sections were Rs. 56.30 billion constituting 4.6% of our residual adjusted net bank credit against the requirement of 10.0%.

The following table sets forth our priority sector loans, classified by the type of borrower, at the last reporting Friday of fiscal 2010.

	At March 26, 2010			
	Amount		% of total priority sector lending	% of residual adjusted net bank credit
	(in billions, except percentages)			
Agricultural sector[1]	Rs. 228.31	US$ 5.12	36.4%	18.7%
Small enterprises[2]	78.08	1.75	12.5%	6.4%
Others including residential mortgages less than Rs.2.0 million	320.59	7.20	51.1%	26.2%
Total	**Rs. 626.98**	**US$ 14.07**	**100.0%**	**51.3%**

(1) Includes direct agriculture lending of Rs. 173.29 billion constituting 14.2% of our residual adjusted net bank credit against the requirement of 13.5%.

(2) Small enterprises include enterprises engaged in manufacturing/processing and whose investment in plant and machinery does not exceed Rs. 50 million and enterprises engaged in providing/rendering of services and whose investment in equipment does not exceed Rs. 20 million.

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 least 12.0% of a bank's adjusted 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 in rupee in line with the prevalent Reserve Bank of India guidelines in India as amended 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 September 24, 2010 (last reporting Friday of September 2010), our export credit was Rs. 12.27 billion.

Loan Pricing

As required by the Reserve Bank of India guidelines effective July 1, 2010, ICICI Bank prices its loans with reference to a base rate, called the ICICI Bank Base Rate. The Asset Liability Management Committee fixes the base rate based on the Bank's current cost of funds, likely changes in the Bank's cost of funds, market rates, interest rate outlook and other systemic factors. Pricing for all fresh approvals and renewal of facilities are linked to the base rate and comprise the base rate, term premium and transaction-specific credit and other charges. The Reserve Bank of India has also stipulated that a bank's lending rates cannot be lower than its base rate, except for certain categories of loans as may be specified by the Reserve Bank of India from time to time. The Bank has set its base rate at 7.50% per annum payable monthly, effective July 1, 2010. As prescribed by the Reserve Bank of India guidelines, the Bank provides an option to its existing borrowers for migrating to the base rate linked pricing mechanism. All loans approved before July 1, 2010, and where the borrowers choose not to migrate to the base rate mechanism, would continue to be based on earlier benchmark rate regime.

Classification of Loans

We classify our assets as performing and non-performing in accordance with the Reserve Bank of India's guidelines. Under the Reserve Bank of India guidelines, an asset is classified as non-performing if any amount of interest or principal remains overdue for more than 90 days, 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 and in respect of bills, if the account remains overdue for more than 90 days. Further, non-performing assets are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by the Reserve Bank of India. The Reserve Bank of India has separate guidelines for restructured loans. See below "—Restructured Loans".

The classification of assets as per the Reserve Bank of India guidelines is detailed 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.
Doubtful assets	Doubtful assets comprise assets that are non-performing for more than 12 months.
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. In compliance with regulations governing the presentation of financial information by banks, we report only non-performing loans and advances in our financial statements.

See also "Supervision and Regulation—Reserve Bank of India Regulations—Loan Loss Provisions and Non-performing Assets—Asset Classification".

Restructured Loans

The Reserve Bank of India has separate guidelines for restructured loans. A fully secured standard loan can be restructured by the rescheduling of principal repayments and/or the interest element, but must be separately disclosed as a restructured loan in the year of restructuring. The diminution in the fair value of the loan, if any, measured in present value terms, is either written off or provision is made to the extent of the diminution involved. 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 fair value of the loan before and after restructuring be provided at the time of restructuring. There are certain conditions stipulated by the Reserve Bank of India in order to continue to classify a restructured standard loan as a standard asset. Similar guidelines apply to sub-standard and doubtful loans. The sub-standard and doubtful loans 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. The restructured loans continue to be classified as such until they complete one year of payment in accordance with the restructured terms.

From December 2008, the Reserve Bank of India permitted banks to restructure loans classified as real estate exposures, up to June 30, 2009 while maintaining these loans as standard loans. Similarly, banks were also permitted to undertake, for loans that were previously restructured, a second restructuring without downgrading the loan to the non-performing category, up to June 30, 2009. The Reserve Bank of India also permitted banks to restructure as standard loans all eligible loans which met the basic criteria for restructuring, and which were classified as standard as at September 1, 2008 irrespective of their subsequent asset classification. This was subject to the receipt by banks of an application from the borrower for restructuring the advance on or before March 31, 2009 and implementing the restructuring package within 120 days from the date of receipt of the application. We classify loans as restructured in line with these guidelines.

Provisioning and Write-Offs

We make provisions and write-offs in accordance with the Reserve Bank of India's guidelines; see "Supervision and Regulation—Reserve Bank of India Regulations—Loan Loss Provisions and Non-Performing Assets—Provisioning and Write-Offs". The Reserve Bank of India guidelines on provisioning and write-offs are as described below.

Standard assets	As per the Reserve Bank of India guidelines issued in September 2005, banks were required to make general provision at 0.40% on standard loans (excluding loans to the agriculture sector and to small and medium enterprises, for which the required general provisioning rate is 0.25%). As per the 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%. In January 2007, the Reserve Bank of India increased the provisioning requirement in respect of the loans to the real estate sector (excluding residential housing loans), outstanding credit card receivables, loans and advances qualifying as capital market exposure, personal loans and exposures to systemically important non-deposit taking non-banking finance companies to 2.00%. In November 2008, the Reserve Bank of India reinstated the provisioning for standard assets to a uniform rate of 0.40% for all types of standard assets except in the case of direct advances to the agricultural and small and medium enterprise sectors, which continue to attract a provisioning of 0.25% as was previously the case. The revised norms were effective prospectively but the provisions held by banks could not be reversed. In November 2009, the Reserve Bank of India increased the provisioning rate on standard assets in the commercial real estate sector to 1.0%.
Sub-standard assets.............................	A provision of 10% is required for all sub-standard assets. An additional provision of 10% is required for accounts that are ab initio unsecured. In April 2010, an exception was given to unsecured infrastructure loan accounts classified as sub-standard, which attract a provisioning of 15%.
Doubtful assets	A 100% provision/write-off is required in respect of the unsecured portion of the doubtful asset. A 100% provision is required to be made for the secured portion of assets classified as doubtful for more than three years in a phased manner.
Loss assets	The entire asset is required to be written off or provided for.
Restructured loans	Until August 27, 2008, 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 future interest on the basis of rescheduled terms at the time of restructuring, was required to be made.

For loans restructured after August 27, 2008, a provision equal to the difference between the fair value of the loan before and after restructuring is required to be made. The fair value of the loan before restructuring is computed as the present value of cash flows representing the interest at the existing rate charged on the loan before restructuring and the principal. The fair value of the loan after restructuring is computed as the present value of cash flows representing the interest at the rate charged on the loan on restructuring and the principal. Prior to June 30, 2010, both sets of cash flows were discounted by the Bank's Benchmark Prime Lending Rate as on the date of restructuring plus the appropriate term premium and credit risk premium for the borrower category on the date of restructuring. From June 30, 2010, the discount rate is computed as the sum of the ICICI Base Rate, the appropriate term premium and the credit risk premium for the borrower category

In its mid-term review of policy statement for fiscal 2009, the Reserve Bank of India has required banks to increase the total provisioning coverage ratio, including floating provisions, to 70% by September 30, 2010. In its clarification on the same, the Reserve Bank of India allowed the banks' prudential/technical write-off to be added to both the gross non-performing assets and the provisions held in the calculation of provisioning coverage ratio. Our provision coverage ratio at September 30, 2010 computed in accordance with the Reserve Bank of India guidelines was 69.0%. The Reserve Bank of India has permitted us to achieve the stipulated level of 70% provisioning coverage ratio in a phased manner by March 31, 2011.

Our Policy

ICICI Bank provides for corporate non-performing assets in line with the Reserve Bank of India guidelines. ICICI Bank provides for retail non-performing assets on a bucketing basis based on days past due, subject to minimum provision requirements set by the Reserve Bank of India. Loss assets and the unsecured portion of doubtful assets are fully provided for or written off. We hold specific provisions against non-performing loans and general provision against performing loans.

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 fair value of the loan before and after restructuring be provided at the time of restructuring. The fair value of the loan before restructuring is computed as the present value of cash flows representing the interest at the existing rate charged on the loan before restructuring and the principal. The fair value of the loan after restructuring is computed as the present value of cash flows representing the interest at the rate charged on the loan on restructuring and the principal. From June 30, 2010 the discount rate is computed as the sum of the ICICI Base Rate, the appropriate term premium and the credit risk premium for the borrower category on the date of restructuring. For loans restructured prior to August 27, 2008, 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 future interest on the basis of rescheduled terms at the time of restructuring, was required to be made.

Impact of Economic Environment on Commercial and Consumer Loan Borrowers

In the late 1990s, increased domestic competition due to the opening up of the Indian economy, high levels of debt relative to equity and a downturn in the commodities markets globally led to stress on the operating performance of Indian businesses, impairment of a significant amount of assets in the financial system and approval of restructuring programs for a large number of companies. This led to an increase in the level of restructured and non-performing loans in the Indian financial system, including us, from fiscal 2001 to fiscal 2004. While restructured and non-performing loans subsequently declined, the deterioration in the global economic environment during fiscal 2009, in particular following the bankruptcy of Lehman Brothers in September 2008, adversely impacted the operations of several Indian companies. Indian businesses were impacted by the lack of access to financing/refinancing from global debt capital markets, losses on existing inventories due to the sharp decline in commodity prices, reduction in demand for and prices of output and reduction in cash accruals and profitability. This led to additional restructuring of loans in the Indian banking system, including ours.

From fiscal 2002, we rapidly grew our retail loan portfolio based on the untapped potential in residential mortgages and other retail credit products in the Indian market. These included credit cards and unsecured personal loans. The Indian retail credit market expanded rapidly from fiscal 2002 to fiscal 2007 driven by growth in household incomes, decline in interest rates and increased availability of retail credit. Since fiscal 2007, the retail credit market has slowed down significantly following increases in systemic interest rates and home prices, which reduced affordability for borrowers. During fiscal 2008 and 2009, we experienced an increase in non-performing loans in our consumer loans and credit card receivables portfolio. The primary reasons for this increase was the seasoning of the overall portfolio and the increase in defaults on the unsecured personal loans and credit card receivables due to challenges in collections and deterioration in the macroeconomic environment. During fiscal 2010 and six months ended September 30, 2010, we experienced a decrease in the level of additions to non-performing loans in our retail portfolio.

See also “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” and “Business—Strategy”.

Classification of Customer Assets

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

	At March 31,										At September, 30		
	2006		2007		2008		2009		2010		2010		
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount
	(Rupees in billions, except percentages)												(US$ in millions)
Standard	Rs.1,512.81	98.5%	Rs.2,036.46	98.0%	Rs.2,352.22	96.9%	Rs.2,316.10	95.9%	Rs.2,057.29	95.5%	Rs.2,308.97	95.8%	US$51,817
of which:													
Restructured loans	55.46	3.6	50.41	2.4	48.41	2.0	61.27	2.5	55.87	2.6	27.21	1.1	611
Non-performing assets	22.73	1.5	41.68	2.0	75.88	3.1	98.03	4.1	96.27	4.5	102.33	4.2	2,297
of which:													
Sub-standard	10.71	0.7	24.33	1.2	48.49	2.0	61.67	2.6	50.20	2.3	31.81	1.3	714
Doubtful assets	11.05	0.7	15.28	0.7	22.09	0.9	31.04	1.3	40.30	1.9	65.04	2.7	1,460
Loss assets	0.97	0.1	2.07	0.1	5.30	0.2	5.32	0.2	5.77	0.3	5.48	0.2	123
Total customer assets(1)	Rs.1,535.54	100%	Rs.2,078.14	100%	Rs.2,428.10	100%	Rs.2,414.13	100%	Rs.2,153.56	100%	Rs.2,411.30	100%	US$54,114

(1) Includes loans, debentures, lease receivables, credit substitutes like debentures and bonds and excludes preference shares.

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

	Gross NPA(1)(2)	Net NPA(2)	Net customer assets(2)	% of Net NPA to Net customer assets
	(Rupees in billions, except percentages)			
March 31, 2006	Rs. 22.73	Rs. 10.75	Rs. 1,520.07	0.71%
March 31, 2007	41.68	20.19	2,053.74	0.98%
March 31, 2008	75.88	35.64	2,384.84	1.49%
March 31, 2009	98.03	46.19	2,358.24	1.96%
March 31, 2010	96.27	39.01	2,091.22	1.87%
September 30, 2010	102.33	31.92	2,335.05	1.37%

(1) Net of write-offs, interest suspense and derivative income reversal.

(2) Includes advances and credit substitutes like debentures and bonds but excludes preference shares.

At September 30, 2010, the gross non-performing assets (net of write-offs and unpaid interest) were Rs. 102.33 billion compared to Rs. 96.27 billion at year-end fiscal 2010. However, the ratio of net non-performing assets to net customer assets decreased from 1.96% at March 31, 2009 to 1.37% at September 30, 2010. The increase in non-performing assets between March 2007 and March 2009 was primarily due to the increase in retail finance non-performing loans. The increase in retail finance non-performing loans was due to the higher level of non-performing loans in the unsecured personal loans and credit card receivables portfolios and the seasoning of the overall portfolio. Retail finance non-performing loans constituted 64.9% of gross non-performing assets at September 30, 2010. The net non-performing assets in the retail portfolio at September 30, 2010 were 2.11% of net retail loans. At September 30, 2010, net non-performing loans in the collateralized retail portfolio were 1.55% of net collateralized retail loans and net non-performing loans in the non-collateralized retail portfolio were about 8.34% of net non-collateralized retail loans. The net retail non-collateralized advances decreased by 28.2% from Rs. 88.56 billion at March 31, 2010 to Rs. 63.62 billion at September 30, 2010. Our provisioning coverage ratio (excluding write-offs) was 69.0% at September 30, 2010. The Reserve Bank of India has permitted us to achieve the stipulated level of 70% provisioning coverage ratio in a phased manner by March 31, 2011. In addition, our total general provision made against standard assets was Rs. 14.80 billion at September 30, 2010.

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 restructured loans continue to be classified as such until they complete one year of satisfactory payment. The deterioration in the global economic environment during fiscal 2009, in particular following the bankruptcy of Lehman Brothers in September 2008, adversely impacted the operations of several Indian companies. This led to additional restructuring of loans in the Indian banking system and our net restructured standard loans increased to Rs. 53.13 billion at year-end fiscal 2010. At September 30, 2010, our gross restructured standard loans declined to Rs. 27.21 billion due to declassification of certain loans as restructured following satisfactory performance, over the requisite period.

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,		
	2008		2009		2010		2010		
	Amount	%	Amount	%	Amount	%	Amount	%	Amount
	(Rupees in billions, except percentages)								(US$ in millions)
Retail finance[1]	Rs. 55.52	71.8%	Rs. 71.50	72.9%	Rs. 64.73	67.2%	Rs. 66.41	64.9%	US$ 1,490
Services—finance	1.29	1.7	1.29	1.3	2.43	2.5	2.45	2.4	55
Chemicals & fertilizers	1.93	2.5	1.96	2.0	2.47	2.6	1.59	1.6	36
Wholesale/retail trade	0.08	0.1	1.47	1.5	2.17	2.3	3.35	3.3	75
Textiles	1.10	1.4	1.77	1.8	1.90	2.0	2.30	2.2	52
Food & beverages[2]	0.61	0.8	1.03	1.1	1.62	1.7	2.98	2.9	67
Shipping	1.01	1.3	1.02	1.0	0.01	—	0.06	0.1	1
Metal & metal products (excluding iron and steel)	0.12	0.2	0.20	0.2	0.68	0.7	0.76	0.7	17
Electronics & engineering	0.56	0.7	0.79	0.8	0.69	0.7	0.77	0.7	17
Automobile (including trucks)	0.08	0.1	0.32	0.3	0.59	0.6	0.56	0.6	13
Services—non finance	0.41	0.5	0.35	0.4	0.38	0.4	0.51	0.5	12
Iron/steel & products	1.21	1.6	0.36	0.4	1.43	1.5	1.40	1.4	31
Power	0.14	0.2	0.15	0.1	0.14	0.1	0.27	0.3	6
Paper and paper products	0.04	0.1	0.04	—	0.03	—	0.47	0.5	10
Cement	0.03	—	0.02	—	0.01	—	0.11	0.1	3
Other Industries[3]	13.21	17.1	15.76	16.2	16.99	17.7	18.34	17.9	412
Total	Rs. 77.34	100.0%	Rs. 98.03	100.0%	Rs. 96.27	100.0%	Rs. 102.33	100.0%	US$ 2,297
Interest suspense	(1.46)		—		—		—		—
Gross NPAs	**Rs. 75.88**		**Rs. 98.03**		**Rs. 96.27**		**Rs. 102.33**		**US$ 2,297**

(1) Includes home loans, automobile loans, commercial business loans, two wheeler loans, personal loans, credit cards, dealer funding and developer financing.

(2) Includes sugar and tea.

(3) Other industries primarily include construction, drugs and pharmaceuticals, agriculture and allied activities, fast moving consumer goods, gems and jewelry, manufacturing products (excluding metal), crude petroleum/refining and petrochemicals, mining, etc.

Non-Performing Asset Strategy

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

Our strategy for resolution of non-performing assets includes sales of financial assets to asset reconstruction companies in exchange for receipt of securities in the form of pass-through instruments issued by asset reconstruction companies, wherein payments to holders of the securities are based on the actual realized cash flows from the transferred assets. Under Indian GAAP, these instruments are valued at the net asset values as declared by the asset reconstruction companies in accordance with the Reserve Bank of India guidelines. Under US GAAP, the assets we sell in exchange for security receipts are not accounted for as sales in terms of FASB ASC Topic 860, "Transfers and Servicing" either because we retain beneficial interests in the transferred assets in the form of security receipts, or due to consolidation of certain funds or trusts, which are variable interest entities within the definition provided in ASC Subtopic 810-10, to which these loans have been transferred. These assets are considered under US GAAP as restructured assets. See "Supervision and Regulation—Reserve Bank of India Regulations—Regulations relating to Sale of Assets to Asset Reconstruction Companies". We sold Rs. 9.34 billion of our net non-performing assets during fiscal 2008, Rs. 6.81 billion of our net non-performing assets during fiscal 2009 and Rs. 7.62 billion of our net non-performing assets during fiscal 2010 to asset reconstruction companies registered with the Reserve Bank of India. During the six months ended September 30, 2010, we did not sell non-performing assets to asset reconstruction companies. At September 30, 2010, we had an outstanding net investment of Rs. 30.95 billion in security receipts issued by asset reconstruction companies in relation to sales of our non-performing assets. 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.

A substantial portion of our loans to retail customers is also secured by a first and exclusive lien on the assets financed (predominantly property and vehicles). We are entitled in terms of our security documents to repossess security comprising assets such as plant, equipment and vehicles without reference to the courts or tribunals unless a client makes a reference to such courts or tribunals to stay our actions. 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.

Our loans, primarily corporate loans and mortgages, have historically been sufficiently over-collateralized so that once collateral is realized we recover a substantial amount of our loan outstanding. However, recoveries may be subject to delays of up to several years, due to the long legal process in India. This leads to delay in enforcement and realization of collateral. We maintain the non-performing assets on our books for as long as the enforcement process is ongoing. Accordingly, a non-performing asset may continue for a long time in our portfolio until the settlement of loan account or realization of collateral, which may be longer than that for US banks under similar circumstances.

Provision for Loan Losses

The following table sets forth, at the dates indicated, movement in our provisions for loan losses for non-performing assets.

	Year ended March 31,					Six months ended September 30,	
	2006	2007	2008	2009	2010	2010	
	(Rupees in billions)						(US$ in millions)
Aggregate provisions for loan losses at the beginning of the year	Rs. 14.49	Rs. 11.93	Rs. 21.50	Rs. 40.24	Rs. 51.84	Rs. 57.26	US$ 1,285
Add: Provisions for loan losses							
Retail finance	1.92[1]	8.68	15.13	30.52	33.92	9.53	214
Commercial, financial, agricultural & others[2]	0.90	1.25	1.25	1.65	3.30	(0.19)	(4)
Working capital finance	0.61	1.18	2.68	2.59	2.37	4.71	106
Leasing and related activities	(0.02)	0.05	0.09	0.05	(0.09)	0.19	4
Total provisions for loan losses, net of releases of provisions as a result of cash collections	17.90	23.09	40.65	75.05	91.34	71.50	1,605
Loans charged-off	(5.97)	(1.59)	(0.41)	(23.21)	(34.08)	(1.09)	(25)
Aggregate provisions for loan losses at the end of the year	Rs. 11.93	Rs. 21.50	Rs. 40.24	Rs. 51.84	Rs. 57.26	Rs. 70.41	US$ 1,580

(1) Net of Rs. 1.69 billion on re-assessment 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.

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.
- The 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. Our Technology Management Group coordinates our enterprise-wide technology initiatives. Our Shared Technology Infrastructure 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 and of the Information Security Group.

Banking Application Software

We use banking applications like a core banking system, loan management system, and credit card management system all of which are flexible and scalable and allow us to serve our growing customer base. A central stand-in server ensures services all days of the week, throughout the year, to the various delivery channels. While we currently have a data center in Mumbai for centralized data base management, data storage and retrieval, a new data center is slated to become operational in the next quarter.

Electronic and Online Channels

We use a combination of physical and electronic delivery channels to maximize customer choice and convenience, which has helped to differentiate our products in the marketplace. Our branch banking software is flexible and scalable and integrates well with our electronic delivery channels. Our ATMs are sourced from some of the world's leading vendors. At September 30, 2010, we had 5,722 ATMs across India. We offer a number of online banking services to our customers for both corporate and retail products and services. Our call centers across locations at Mumbai, Thane and Hyderabad are operational around the clock and are equipped with multiple systems such as interactive voice response systems, automatic call distribution, computer telephony integration and voice recorders. We seek to use the latest technology in these call centers to 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 a presence.

High-Speed Electronic Communications Infrastructure

We have a nationwide data communications network linking all our channels and offices. The network is designed to provide for reach and redundancy, which are imperative in a vast country like India. The communications network is monitored 24 hours a day using advanced network management software.

Operations Relating to Commercial Banking for Corporate Customers

Our corporate banking back office operations are centralized and we have 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 the 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 at 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 follows from our multi-channel customer service strategy and seeks to deliver customer related information consistently across access points. It also aims to provide us with 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 all critical banking applications in the event of a disaster at the primary site.

We have developed a business continuity plan, which would help facilitate continuity of critical businesses in the event of a disaster. These plans are tested periodically under live or simulated scenarios. These plans have been prepared in line with the guidelines issued by Reserve Bank of India and have been approved by our board of directors.

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. We seek to gain competitive advantage over our competitors by offering innovative products and services, using 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 287 branches in India at December 31, 2009. Indian public sector banks have wide distribution networks but generally relatively less strong technology and marketing capabilities while private sector banks have a relatively smaller branch network but stronger technology capabilities. With the implementation of technology-based core banking solutions, public sector banks have become more competitive in selling products and services to retail customers. In addition some specialized non-bank finance companies have increased market share in certain segments of retail banking products. We seek to compete in this market through a full product portfolio and effective distribution channels, which include branches, 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 present a competitive 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 seek to compete based on our 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 compete with foreign banks in cross-border trade finance based on our wider geographical reach relative to foreign banks and our customized trade financing solutions. We have established strong fee-based cash management services and leverage our balance sheet size, wider branch network, 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 that 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.

Commercial Banking Products and Services for International Customers

Our international strategy 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 such as remittance services. Foreign banks have become more competitive in providing financing to Indian businesses leveraging their strength of access to lower cost foreign currency funds. 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 competitive advantage. We seek to leverage our technology capabilities developed in our domestic businesses to offer convenience and efficient services to our international customers. We also seek to leverage our strong relationships with Indian corporates in our international business.

Commercial Banking Products and Services for Agricultural and Rural Customers

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

Insurance and Asset Management

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 Company, ICICI Lombard General Insurance Company and ICICI Prudential Asset Management Company have built strong product, distribution and risk management capabilities, achieving market leadership positions in their respective businesses. According to data published by the Insurance Regulatory and Development Authority of India, ICICI Prudential Life Insurance Company had a retail market share of about 9.9% in new business written (on retail weighted received premium basis) during the six months ended September 30, 2010. ICICI Lombard General Insurance Company had a market share of about 10.3% in gross written premiums during the six months ended September 30, 2010. See also "Business—Insurance". ICICI Prudential Asset Management Company manages the ICICI Prudential Mutual Fund, which was among the top three mutual funds in India in terms of average funds under management in September 2010 with a market share of about 9.8%.

Employees

At September 30, 2010, we had 53,700 employees (including permanent employees, interns, sales executives and fixed term employees and employees on probation), of whom 22,339 employees were professionals with degrees in business management, accountancy, engineering, law, computer science or economics.

We dedicate a significant amount of senior management time to ensuring that employees remain highly motivated. Employee compensation is tied to performance, and we encourage the involvement of our employees in our overall performance and profitability through profit sharing incentive schemes based on our financial results. A performance appraisal 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, Remuneration and Nomination Committee. The eligibility of each employee is determined based on an evaluation of the employee including the employee's work performance, technical knowledge and leadership qualities. 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 offer 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 are 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 we and our employees 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 annual return as specified from time to time which is currently 9.5%. 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 we contribute defined amounts. Employees have been given an option to opt out of the superannuation fund and in such cases the defined amounts are paid as part of monthly salary. 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 is located at ICICI Bank Towers, Bandra-Kurla Complex, Mumbai 400 051, Maharashtra, India.

We had a principal network consisting of 2,501 branches and 5,722 ATMs at September 30, 2010. This includes 457 deposit taking branches and 131 ATMs of the Bank of Rajasthan, which merged with us with effect from the close of business on August 12, 2010. These facilities are located throughout India. In addition to the branches, extension counters and ATMs, we have 38 controlling/administrative offices including the registered office at Vadodara and the corporate headquarters at Mumbai, 57 regional processing centers in various cities and one central processing center at Mumbai. This includes 14 controlling/administrative offices and six service branches of the Bank of Rajasthan. We have a branch in each of Bahrain, Dubai, Hong Kong, Qatar, Singapore, Sri Lanka and the United States and one representative office each in Bangladesh, China, Indonesia, Malaysia, South Africa, Thailand and the United Arab Emirates. We also provide residential and holiday home facilities to employees at subsidized rates. At September 30, 2010, we had 864 apartments for our employees. This includes 116 apartments of the Bank of Rajasthan.

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.

The following penalties were imposed and paid by us in the past:

- In fiscal 2006, the Reserve Bank of India imposed a penalty of Rs. 0.5 million on us in connection with our role as collecting bankers in certain public equity offerings by companies in India.
- The Reserve Bank of India levied a penalty of Rs. 0.5 million on us pertaining to Know Your Customer guidelines.
- The Securities and Futures Commission, Hong Kong charged us with carrying on the business of dealing in securities in Hong Kong between June 15, 2004 and March 8, 2006, without having the requisite license. The Eastern Magistrate's Court, Hong Kong, on April 10, 2007, fined us a sum of HK$ 40,000 and ordered us to reimburse prosecution costs of HK$ 54,860.

See also "Risk Factors—Risks Relating to Our Business—We have experienced rapid international growth in earlier 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 and our stockholders' equity" and "—Regulatory changes or enforcement initiatives in India or other jurisdictions in which we operate could adversely affect our business".

At September 30, 2010, we had been assessed an aggregate of Rs. 31.31 billion in excess of the provision made in the accounts mainly pertaining to income tax, and sales tax/value added tax demands by the government's tax authorities for past years. We have appealed each of these tax demands which are pending final resolution. 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 tax assessments and accordingly we have not provided for these tax demands at September 30, 2010.

- Rs. 6.92 billion relates to appeals filed by the tax authorities against decisions in favor of the Bank to higher appellate authorities. The matters are currently pending adjudication.
- Rs. 1.28 billion relates to our appeal of the assessment of sales tax/value added tax assessment. We are relying on a favorable decision in our own/other cases and opinions from counsels.
- Rs. 23.12 billion relates to our appeal of assessments mainly pertaining to income tax. We are relying on favorable precedent decisions of the appellate court and expert opinions.
- Of the Rs. 23.12 billion, Rs. 10.63 billion relates to bad debts written off. Bad debts written off as irrecoverable by the Bank have been disallowed by the tax authorities on the ground that we have not established that the debts written off during the year are irrecoverable. In recent judgments in the Bank's own case for some years, the appellate authorities have allowed the claim of bad debts on the ground that after an amendment to the Income Tax Act, 1961 with effect from April 1, 1989, it is not obligatory for the assessee to prove that the debts written-off are bad and it shall suffice if the assessee writes off its bad debts as irrecoverable in the accounts during the said year. In a recent Supreme Court ruling in another matter, it was held that after the amendment of the Income Tax Act, it is not necessary for the taxpayer to establish that the debt has actually become irrecoverable to claim a deduction for bad debts.
- Rs. 4.11 billion relates to the disallowance of depreciation claims on leased assets, which is an industry-wide issue involving multiple litigations across the country. In respect of depreciation claimed by us for fiscal 1993 and fiscal 1994 on two sale and leaseback transactions, the Income Tax Appellate Tribunal, Mumbai held 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 leaseback transactions entered into by us. In subsequent judgments in our own case, the appellate authorities have held that the lease transactions are genuine and have allowed depreciation on finance leases including sale and leaseback transactions.
- A penalty amounting to Rs. 3.94 billion has been levied on us by the tax authorities on contentious issues involving judicial interpretation. In recent judgments in our own and other cases, the appellate authorities have ruled that penalties are not leviable on debatable issues which cannot be said to be in the nature of concealment of income.

- Rs. 2.26 billion relates to whether interest expenses can be attributed to earning tax-exempt dividend income. We believe that no interest can be allocated thereto as there are no earmarked borrowings earmarked for investment in shares and our interest free funds are sufficient to cover investments in the underlying shares. In a recent judgment in another matter, the Bombay High Court has laid down the principle that if there are sufficient interest free funds available to an assessee to meet its investments, it can be presumed that the investments were made from the interest free funds available.

- Rs. 1.97 billion relates to taxability of amounts withdrawn from the Special Reserve. ICICI had maintained two special reserve accounts, "Special Reserve created up to Assessment Year 1997-98" and "Special Reserve created and maintained from Assessment Year 1998-99". Withdrawal made from the "Special Reserve created up to Assessment Year 1997-98" was assessed as taxable by the tax authorities. The Bank has disputed the levy of tax as the special reserve created through this account was not required to be maintained. In a recent judgment in our own case, the appellate authority has granted relief in respect of withdrawal of special reserve created up to Assessment Year 1997-98.

Accordingly, we have not provided for these tax demands but have disclosed them as a contingent liability in the financial statements.

A number of litigation and claims against ICICI Bank and its directors are pending in various forums. The claims on ICICI Bank mainly arise in connection with civil cases involving allegations of service deficiencies, property or labor disputes, fraudulent transactions, economic offences and other cases filed in the normal course of business. The Bank is also subject to counterclaims arising in connection with its enforcement of contracts and loans. In accordance with FASB ASC 450, a provision is created where an unfavorable outcome is deemed probable and in respect of which a reliable estimate can be made. In view of inherent unpredictability of litigation and cases where claims sought are substantially high, actual cost of resolving litigations may be substantially different than the provision held.

We held a total provision of Rs. 398.0 million at September 30, 2010 for 606 cases with claims totaling approximately Rs. 1.05 billion (including claims made against the Bank of Rajasthan), where an unfavorable outcome was deemed probable and in respect of which a reliable estimate could be made. Out of the aforesaid provision made, Rs. 374.7 million is provision for 602 cases with claims of Rs. 973.0 million and Rs. 23.30 million is provision for four cases with an amount of Rs. 81.00 million, which is the amount of sale proceeds received from the court against an undertaking. Since the amount of these provisions remained insignificant compared to our net income, we have not included detailed disclosures in our filing about the litigation matters related to these provisions.

For cases where an unfavorable outcome is deemed to be reasonably possible but not probable, we have included the amount of claims against us in our contingent liabilities. At September 30, 2010, such claims amounted to a total of Rs. 1.25 billion in connection with 55 separate cases. Since the amount of claims under these cases is 0.3% of our profit after tax for fiscal 2010, we have not included detailed disclosures in our filing about the nature of litigation matters related to these claims. Further, as explained above, it is not possible to make an estimate of the possible loss or range of possible losses for these cases due to the nature of the cases.

For cases where an unfavorable outcome is deemed to be remote, we have not made a provision, nor have we included the amount of the claims in these cases in our contingent liabilities.

In some instances, civil litigants name our directors as co-defendants in lawsuits against ICICI Bank. There were 324 such cases at September 30, 2010.

Management believes, based on consultation with counsel, that the claims and counterclaims filed against us in the above legal proceedings are frivolous and untenable and their ultimate resolution will not have a material adverse effect on our results of operations, financial condition or our 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 cash flows.

At September 30, 2010, there were 50 litigations each involving a claim of Rs. 10.00 million and more against us, in the aggregate amount of approximately Rs. 14.12 billion (to the extent quantifiable and including amounts claimed jointly and severally from us and other parties). The following are the litigations where amounts claimed from us are Rs. 1.0 billion or higher:

- In 2002, we filed a suit before the Debt Recovery Tribunal, Ahmedabad against Gujarat Telephone Cables Limited for the recovery of term loans, debentures and working capital finance provided by us. We sold our exposure to the Asset Reconstruction Company (India) Limited in 2004. The borrower filed a suit in the Civil Court claiming damages of Rs. 10.0 billion jointly and severally from the 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 suit to which Gujarat Telephone Cables Limited has filed its reply. We have filed our rejoinder. The company in the meanwhile has gone into liquidation and the notice has been served to the official liquidator. The matter is adjourned to December 1, 2010.

- In 1999, we 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 totalling Rs. 169 million due from Esslon Synthetics Ltd. In May 2001, the guarantor filed a counterclaim for an amount of Rs. 1.00 billion against us 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 filed an application to amend the counterclaim in January 2004. We have filed our reply to the application for amendment. The guarantor has also filed an interim application on the ground that certain documents have not been exhibited, to which we have filed our reply stating that the required documents are neither relevant nor necessary for adjudicating the dispute between the parties. In the meantime, Industrial Development Bank of India has challenged the order of the Debt Recovery Tribunal, Delhi, whereby the Debt Recovery Tribunal allowed LML Limited to be included in the list of parties. The Debt Recovery Appellate Tribunal, Delhi has passed an interim stay order against the Debt Recovery Tribunal proceedings. The Debt Recovery Tribunal will next hear the matter on November 23, 2010. In the liquidation proceeding before the High Court at Allahabad, the official liquidator attached to the Allahabad High Court has sold the assets of Esslon Synthetics for Rs. 61 million in November 2002. We have filed the claim with the official liquidator attached to the Allahabad High Court for our dues. The official liquidator has informed us that the claim of the Bank has been allowed for Rs. 88 million and that the pari-passu amount payable to the Bank is Rs. 12 million. We will be filing an affidavit before the official liquidator for disbursement of the amount.

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, co-operate with the regulatory authorities and, where appropriate, suspend or discipline employees, including the termination of their services.

In fiscal 2010, two individuals filed a whistleblower retaliation complaint against us with the Occupational Safety and Health Administration, US Department of Labor ("OSHA") pursuant to procedures set forth under 29 CFR 1980 covered by Section 806 of the Sarbanes Oxley Act, 2002. The complaint alleges that in our annual report on Form 20-F for fiscal 2008, as filed with the Securities and Exchange Commission, we misrepresented that we have anti-money laundering processes in place, and/or we failed to follow such processes. The individuals demanded (i) immediate reinstatement at ICICI Bank, payment of back pay, payment of special damages and payment of attorney's fees; and (ii) that their visa status be protected so that they may remain within the United States.

Upon receipt of the complaint, we commenced an internal investigation of our operations at the New York branch, including an investigation of our compliance with the US PATRIOT Act. It was determined that the New York branch complied with all applicable banking regulations and has appropriate internal controls in place. The New York branch and its processes are also subject to ongoing supervision and examination by the Office of the Comptroller of the Currency (the "OCC"), and the branch has informed the OCC of this matter. We filed our response to the complaint with OSHA. OSHA has completed the initial phase of its investigation and had issued an initial response letter dated January 4, 2010 finding, based on information gathered thus far, reasonable cause to believe that a violation under Section 806 has occurred. We submitted a rebuttal, along with supporting documents, to OSHA on February 8, 2010. Pending receipt of the final determination of the investigation by OSHA and on its suggestion, the parties have pursued informal resolution of the complaint to reach a mutually acceptable resolution. OSHA has reserved its decision on the matter pending the outcome of the informal resolution process.

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 co-operate with any such regulatory investigation or proceeding.

DESCRIPTION OF ICICI BANK'S HONG KONG BRANCH

ICICI Bank's Hong Kong branch obtained its license for conducting full banking operations in Hong Kong on October 10, 2005 and started the branch operations from November 14, 2005.

Background

Hong Kong is a premier financial center where many of the world's leading commercial banks and multi-national corporations have established operations. ICICI Bank believes that Hong Kong's location, excellent infrastructure, investor-friendly regulatory environment and robust financial sector make it an ideal location for a regional hub for business in the North Asia region.

Given the strong Indian linkages of a growing and prosperous global Indian community in Hong Kong and increasing business prospects for Indian companies in the North Asia region, ICICI Bank envisages the Hong Kong branch as the regional hub of its business presence and activities in the North Asia region.

Key Objectives of the Hong Kong Branch

In line with our stated objective of continually exploring possibilities for diversification of our business in terms of geographies as well as products and services, we obtained a license for setting up a Licensed bank in Hong Kong. We envisage the Hong Kong branch as a 'hub' for our business in North Asia.

The key objectives of the branch in Hong Kong are as summarized below:

- to assist in fulfilling the global banking requirements of our domestic corporate customers (e.g. foreign currency borrowing requirements);
- to assist in securing a share of the business arising from India's trade flows with the North Asia region;
- to leverage on Hong Kong's status as a leading international financial center and our enhanced value proposition to meet the requirements of the Indian community in Hong Kong; and
- to build treasury operations in Hong Kong that will complement and support our international operations.

Hong Kong Branch

The Hong Kong branch was granted authorization from the Hong Kong Monetary Authority under Section 16(1)(a) of the Banking Ordinance to carry on banking business in Hong Kong on October 10, 2005. The branch commenced its business activities on November 14, 2005.

The Hong Kong branch is a licensed bank in Hong Kong. In Hong Kong, only licensed banks may operate current and savings accounts, and accept deposits of any size and maturity from the public and pay or collect checks drawn by or paid in by customers.

The Hong Kong branch is also subject to the regulations and directives of the Reserve Bank of India as applicable to overseas branches of Indian banks.

Business Activities

The key business activities on which ICICI Bank's Hong Kong Branch focuses are summarized below:

Corporate Banking

The Hong Kong branch seeks to fulfill the global banking requirements of its Indian corporate customers.

Trade Finance

Hong Kong is an important trade partner of India. Hong Kong is also a conduit for the rapidly increasing bilateral trade between India and its largest trading partner, China. Further, Hong Kong is a major hub for doing business in Asia and many Indian corporations and India-based businessmen are establishing operations in Hong Kong for facilitating their business activities in the region. The Hong Kong branch endeavors to achieve a share of the business arising from India's commercial linkages with Hong Kong, China and other countries in the North Asia region.

Treasury Activities

ICICI Bank believes that, given Hong Kong's status as one of the major international financial markets, it is an ideal place for ICICI Bank to establish a treasury operation to complement and support its global operations through comprehensive foreign exchange, interest rate and liquidity management operations. ICICI Bank's Hong Kong branch offers foreign exchange and derivative products and services to its Indian and Hong Kong-based corporate clients in Hong Kong. The treasury operation in Hong Kong also mobilizes resources for supporting its operations and is responsible for ensuring adequacy of resources for its business activities and managing the Hong Kong branch's asset-liability position.

Retail Banking Business

The Hong Kong branch provides retail banking products and services to customers in Hong Kong. The strategy of the branch is to build a strong liability franchise by reaching out to customers for savings and current accounts and mobilizing foreign currency deposits.

MANAGEMENT

Directors and Executive Officers

Our Board of Directors, consisting of 13 members at October 20, 2010, 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 1949, 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 1949, requires that at least 51% of our 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 13 directors, four are directors who are in our wholetime employment, or executive directors. The appointment of the chairman and executive directors requires the approval of the Reserve Bank of India and the shareholders. The government of India has appointed one representative, Dr. Anup K. Pujari, to our board effective January 27, 2009. Of the remaining eight non-executive directors, Mr. K. V. Kamath is the non-executive chairman of our board, one is from a financial holding company which has investments in insurance and investment management companies, and the others are, retired company executives, advisors and chartered accountants. Of the nine non-executive 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 (other than the government director) 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 are subject to retirement by rotation. The government director and the debenture director are not subject to retirement by rotation as per our organizational documents. One-third of the 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 Executive 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.

Mr. K.V. Kamath was the Managing Director and CEO of ICICI Bank from May 3, 2002 until April 30, 2009. Our board of directors at its meeting held on December 19, 2008, appointed Mr. K. V. Kamath as non-executive Chairman for a period of five years effective May 1, 2009. While our shareholders have approved the appointment of Mr. K. V. Kamath as Chairman for a period of five years effective May 1, 2009, the Reserve Bank of India has approved his appointment for a period of three years effective May 1, 2009.

Ms. Chanda D. Kochhar was appointed as Executive Director effective April 1, 2001, and designated as Deputy Managing Director effective April 29, 2006 and Joint Managing Director and Chief Financial Officer effective October 19, 2007. Our Board of Directors at its meeting held on December 19, 2008, appointed Ms. Chanda Kochhar as Managing Director and CEO for a period of five years effective May 1, 2009. While our shareholders have approved appointment of Ms. Chanda Kochhar as Managing Director and CEO effective May 1, 2009 up to March 31, 2014, the Reserve Bank of India has approved her appointment for a period of three years effective May 1, 2009.

Mr. K. Ramkumar was appointed as Executive Director, for a period of five years, effective February 1, 2009. Mr. N. S. Kannan was appointed as Executive Director and Chief Financial Officer, for a period of five years, effective May 1, 2009. While our shareholders have approved the above, the Reserve Bank of India has approved the appointment of Mr. Ramkumar and Mr. Kannan for a period of three years with effect from February 1, 2009 and May 1, 2009 respectively.

Mr. Rajiv Sabharwal was appointed as Executive Director for a period of five years effective June 24, 2010. While our shareholders have approved the above, the Reserve Bank of India has approved the appointment of Mr. Rajiv Sabharwal for a period of three years effective June 24, 2010.

Our board of directors at its meeting held on April 25, 2009, appointed Mr. M. S. Ramachandran, former Chairman, Indian Oil Corporation, as an additional director effective April 25, 2009. His appointment was approved by our shareholders at their meeting held on June 29, 2009.

Our board at its meeting held on January 21, 2010 appointed Mr. Homi Khusrokhan and Mr. V. Sridar as additional directors effective January 21, 2010 and at its meeting held on April 30, 2010 appointed Dr. Tushaar Shah as additional director effective May 3, 2010. Their appointments have been approved by the shareholders at their meeting held on June 28, 2010.

Mr. V. Vaidyanathan, Executive Director ceased to be a member of our board effective May 1, 2009. Mr. Sonjoy Chatterjee, Executive Director, resigned from our board effective April 30, 2010. Mr. Sandeep Bakhshi, who was appointed as an Executive Director designated as Deputy Managing Director effective May 1, 2009 ceased to be a member of our board effective July 31, 2010 on his appointment as Managing Director and CEO of ICICI Prudential Life Insurance Company Limited.

In order to comply with the provisions of the Companies Act and our organizational documents, Mr. N. S. Kannan, Mr. K. Ramkumar, and Mr. Rajiv Sabharwal 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 Executive 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 had the following members at October 20, 2010:

Name, designation and profession	Age	Date of first Appointment	Particulars of other Directorship(s) at October 20, 2010
Mr. Kundapur Vaman Kamath Non-executive Chairman	62	April 17, 1996	**Director** Infosys Technologies Limited Lupin Limited The Great Eastern Shipping Co. Limited Schlumberger Limited **Member of Board** Institute of International Finance, Inc.
Mr. Sridar Iyengar Non-Executive Director **Profession:** Business Advisor	63	April 30, 2005	**Director** American Indian Foundation Aver Q Inc. Career Launcher India Limited Cleartrip Travel Services Private Limited ICICI Prudential Life Insurance Company Limited Infosys BPO Limited Infosys Technologies Limited Kovair Software Inc. Mahindra Holidays & Resorts India Limited Onmobile Global Limited Rediff.com India Limited Rediff Holdings Inc.

Name, designation and profession	Age	Date of first Appointment	Particulars of other Directorship(s) at October 20, 2010
Mr. Homi Khusrokhan Non-Executive Director **Profession:** Advisor	66	January 21, 2010	**Chairman** Khet-se Agri Produce (India) Private Limited **Director** Advinus Therapeutics Private Limited Fulford (India) Limited Rallis India Limited Samson Maritime Limited Tata AIG Life Insurance Company Limited
Dr. Anup K. Pujari Nominee Director **Profession:** Government Service	54	January 27, 2009	None
Mr. M. S. Ramachandran Non-Executive Director **Profession:** Advisor	65	April 25, 2009	**Chairman** Cals Refineries Limited Concord Energy (India) Pte Limited **Director** Bharat Electronics Limited (BEL) Ester Industries Limited Gulf Oil Corporation Limited Supreme Petrochem Limited
Dr. Tushaar Shah Non Executive Director **Profession:** Senior Fellow	59	May 3, 2010	None
Mr. Mahendra Kumar Sharma Non-Executive Director **Profession:** Retired Company Executive	63	January 31, 2003	**Director** Birla Corporation Limited ICICI Lombard General Insurance Company Limited Thomas Cook (India) Limited Schrader Duncan limited Fulford (India) Limited
Mr. V. Sridar Non-Executive Director **Profession:** Advisor	63	January 21, 2010	**Director** Aadhar Housing Finance Private Limited Aban Power Company Limited Lanco Vidarbha Thermal Power Limited Morpheus Capital Advisors Private Limited Ponni Sugars (Erode) Limited Sarda Metals and Alloys Limited Securities Trading Corporation of India Limited Seshasayee Paper & Boards Limited STCI Primary Dealer Limited Member — Governing Council United Stock Exchange Limited

Name, designation and profession	Age	Date of first Appointment	Particulars of other Directorship(s) at October 20, 2010
Mr. V. Prem Watsa Non-Executive Director **Profession:** Company Executive	60	January 29, 2004	**Chairman and CEO** Fairfax Financial Holdings Limited **Chairman** Crum & Forster Holdings Corp. Northbridge Financial Corporation Odyssey Re Holdings Corp. TIG Holdings, Inc. **Chairman and President** **Fairfax Investments USA Corp.** **President** 1109519 Ontario Limited 810679 Ontario Limited 2771489 Canada Limited FFHL Share Option 1 Corp. The Sixty Two Investment Company Limited **President and CEO** FFHL Group Limited **Vice President and Secretary** Hamblin Watsa Investment Councel Limited **Director** The Sixty Four Foundation The Sixty Three Foundation Cunningham Lindsey Group Limited Cunningham Lindsey Group Inc.
Ms. Chanda D. Kochhar Managing Director and CEO **Profession:** Company Executive	48	April 1, 2001	**Chairperson** ICICI Bank Eurasia Limited Liability Company ICICI Bank UK PLC ICICI Bank Canada ICICI Prudential Asset Management Company Limited ICICI Prudential Life Insurance Company Limited ICICI Securities Limited ICICI Lombard General Insurance Company Limited
Mr. N. S. Kannan Executive Director and CFO **Profession:** Company Executive	45	May 1, 2009	**Chairman** ICICI Securities Primary Dealership Limited **Director** ICICI Lombard General Insurance Company Limited ICICI Prudential Asset Management Company Limited ICICI Prudential Life Insurance Company Limited ICICI Eurasia Limited Liability Company ICICI Bank UK PLC
Mr. K. Ramkumar Executive Director **Profession:** Company Executive	49	February 1, 2009	**Director** ICICI Prudential Life Insurance Company Limited ICICI Venture Funds Management Company Limited
Mr. Rajiv Sabharwal Executive Director **Profession:** Company Executive	45	June 24, 2010	**Chairman** ICICI Home Finance Company Limited ICICI Prudential Life Insurance Company Limited

Our executive officers at October 20, 2010 were as follows:

Name	Age	Designation and Responsibilities	Years of work experience	Total remuneration in fiscal 2010[1] (in Rupees)	Bonus for fiscal 2010 (in Rupees)	Stock options granted for fiscal 2010	Stock options granted for fiscal 2011	Total stock options granted through September 30, 2010	Total stock options outstanding at September 30, 2010[3]	Share holdings at October 22, 2010
Ms. Chanda D Kochhar	48	Managing Director and CEO	26	18,181,944	2,693,250	—	210,000	1,195,000	865,000	268,925
Mr. N.S. Kannan[2]	45	Executive Director and CFO	23	10,785,856	1,724,250	—	105,000	367,400	193,000	82,225
Mr. K. Ramkumar	49	Executive Director	25	13,680,930	1,881,000	—	105,000	585,000	405,000	—
Mr. Rajiv Sabharwal[3]	45	Executive Director	18	—	—	—	1,00,000	1,00,000	1,00,000	—
Mr. Pravir Vohra	56	Group Chief Technology Officer	35	13,355,406	1,881,000	—	105,000	509,500	405,500	26,500
Mr Vijay Chandok	42	Group Executive — International Banking	19	9,704,257	1,077,000	35,000	35,000	376,100	274,500	7,500
Ms. Zarin Daruwala	45	Group Executive — Wholesale Banking	20	8,104,229	894,000	32,500	32,500	285,600	218,500	45,495

(1) Includes salary and other benefits and ICICI Bank's contribution to superannuation fund, provident and gratuity fund. No bonus was paid in fiscal 2010 for the year 2009.

(2) Remuneration for the period May 1, 2009 to March 31, 2010. Prior to his appointment as Executive Director of ICICI Bank, Mr. N. S. Kannan was Executive Director of ICICI Prudential Life Insurance Company.

(3) Mr. Rajiv Sabharwal joined ICICI Bank with effect from April 1, 2010.

(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. 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

(5) Executive officers and directors (including non-executive directors) as a group held about 0.08% of ICICI Bank's equity shares as of this date.

Ms. Chanda D. Kochhar has a post-graduate degree in management from 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 banking, infrastructure financing, e-commerce, strategy, retail banking and finance. She was appointed to our board as an Executive Director in April 2001. Our board designated her as Deputy Managing Director effective April 29, 2006 and as Joint Managing Director and Chief Financial Officer in October 2007. Effective May 1, 2009 our board appointed Ms. Chanda D. Kochhar as Managing Director and CEO.

Mr. N. S. Kannan is a graduate in mechanical engineering, a post-graduate in management from the Indian Institute of Management, Bangalore and a chartered financial analyst from the Institute of Chartered Financial Analysts of India. He joined ICICI in 1991. He has worked in the areas of project finance, structured finance, treasury and life insurance. He was Chief Financial Officer and Treasurer of ICICI Bank from 2003 to 2005 and Executive Director on the Board of ICICI Prudential Life Insurance Company from 2005 to 2009. Our Board of Directors appointed him as Executive Director and Chief Financial Officer effective May 1, 2009.

Mr. K. Ramkumar is a science graduate from Madras University with a post-graduate diploma in industrial relations and labor laws. He worked with ICI India before joining ICICI Bank in 2001 in the human resources department. In 2006 he was designated as Group Chief Human Resources Officer. Our Board of Directors appointed him as Executive Director effective February 1, 2009. He is currently responsible for operations, credit and treasury middle offices and human resources management.

Mr. Rajiv Sabharwal is a graduate in mechanical engineering and a post-graduate in management from the Indian Institute of Management, Lucknow. He joined ICICI in 1998 and has worked in the areas of credit policy, collections, mortgage finance, consumer loans, rural banking, microfinance and financial inclusion. He left the services of the Bank in December 2008 and rejoined effective April 1, 2010, as Senior General Manager in charge of retail banking. Our Board of Directors appointed him as an Executive Director effective June 24, 2010. He is currently responsible for retail banking, rural banking and the small and medium enterprises and mid-corporate business.

Mr. Pravir Vohra is a post-graduate in economics from Delhi University. He was Joint President of 3i Infotech Limited (formerly ICICI Infotech Limited) before he joined ICICI Bank in 2002. He was designated as Group Chief Technology Officer in 2006. He is currently responsible for technology, infrastructure management and administration.

Mr. Vijay Chandok is a graduate in mechanical engineering and a post-graduate in management from Narsee Monjee Institute of Management Studies, Mumbai. He joined ICICI in 1993 and has worked in the areas of project finance, corporate banking, small enterprises and retail banking. He was designated as Group Executive- International Banking Group in April 2010.

Ms. Zarin Daruwala is a chartered accountant. She joined ICICI in 1989 and has worked in the areas of project finance, corporate banking and agri-business. She was designated as Group Executive — Wholesale Banking in July 2010.

Corporate Governance

Our corporate governance policies recognize the accountability of the board and the importance of making the board transparent to all our constituents, including employees, customers, investors and the regulatory authorities, and for demonstrating 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 provides detailed reports on its 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.

Audit Committee

As of the date of the filing of this offering memorandum, the Audit Committee comprises four independent directors—Mr. Sridar Iyengar, Mr. M. K. Sharma, Mr. Homi Khusrokhan and Mr. V. Sridar. Mr. Sridar Iyengar is the Chairman of the Committee and Mr. M. K. Sharma is the Alternate Chairman. Mr. Sridar Iyengar, Mr. Homi Khusrokhan and Mr. V. Sridar are Chartered Accountants.

Our board of directors has also 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 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 the setting of their remuneration, approval of payment to statutory auditors for other permitted services rendered by them, review of functioning of Whistle Blower Policy, review of the quarterly and annual financial statements before submission to the board, review of the adequacy of internal control systems and the internal audit function, review of compliance with 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/letters on internal control weaknesses issued by statutory auditors, reviewing with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue), the statement of funds utilized for the purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency, monitoring the utilization of proceeds of a public or rights issue and making appropriate recommendations to the board to take steps in this matter, 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 is also authorized to appoint/oversee the work of any registered public accounting firm, establish procedures for receipt and treatment of complaints received regarding accounting and auditing matters and engage independent counsel as also provide for appropriate funding for compensation to be paid to any firm/advisors. In addition, the Audit Committee also exercises oversight of the regulatory compliance function. The Audit Committee is also authorized to approve the appointment of the Chief Financial Officer (i.e. the wholetime finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background of the candidate.

All significant 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 and Remuneration Committee

As of the date of the filing of this offering memorandum, the Board Governance, Remuneration and Nomination Committee comprises four non-executive directors—Mr. M. K. Sharma, Mr. K. V. Kamath, Mr. Sridar Iyengar and Mr. V. Prem Watsa. Mr. M. K. Sharma, an independent Director, is the Chairman of the Committee.

The functions of the Committee include the recommendation of appointments to the board, evaluation of the performance of the Managing Director & CEO and other Executive Directors on pre-determined parameters, recommendation to our board for the remuneration (including performance bonus and perquisites) to executive directors, approval of the policy for and quantum of bonus payable to the members of the staff, framing of guidelines for the Employees Stock Option Scheme and recommendation of grant of ICICI Bank stock options to the employees and the executive directors of ICICI Bank and its subsidiary companies.

Corporate Social Responsibility Committee

As of the date of this offering memorandum, the Corporate Social Responsibility Committee comprises four directors—Mr. M. K. Sharma, Dr. Anup K. Pujari, Dr. Tushaar Shah and Ms. Chanda D. Kochhar. Mr. M. K. Sharma, an independent director, is the Chairman of the Committee.

The functions of the Committee include the review of our corporate social responsibility initiatives, policies and practices and makes recommendations to our board with respect to such initiatives, policies and practices and the review and implementation of other matters related to corporate social responsibility initiatives as recommended by the Reserve Bank of India or any other body.

Credit Committee

As of the date of the filing of this offering memorandum, the Credit Committee comprises four directors—Mr. K. V. Kamath, Mr. M. S. Ramachandran, Mr. M. K. Sharma and Ms. Chanda D. Kochhar. Mr. K. V. Kamath is the Chairman of the Committee.

The functions of the Committee include review of developments in key industrial sectors and approval of credit proposals in accordance with the authorization approved by the board.

Customer Service Committee

As of the date of the filing of this offering memorandum, the Customer Service Committee comprises four directors—Mr. K. V. Kamath, Mr. M. S. Ramachandran, Mr. M. K. Sharma, and Ms. Chanda D. Kochhar. Mr. K. V. Kamath is the Chairman of the Committee.

The functions of the Committee include review of customer service initiatives, overseeing the functioning of the Customer Service Council and evolving innovative measures for enhancing the quality of customer service and improvement in the overall satisfaction level of customers.

Fraud Monitoring Committee

As of the date of the filing of this offering memorandum, the Fraud Monitoring Committee comprises six directors—Mr. M. K. Sharma, Mr. K.V. Kamath, Mr. V. Sridar, Dr. Anup K. Pujari, Ms. Chanda D. Kochhar and Mr. Rajiv Sabharwal. Mr. M. K. Sharma is the Chairman of the Committee.

The functions of the Committee include monitoring and review of all instances of fraud involving an amount of Rs.10 million and above.

Risk Committee

As of the date of the filing of this offering memorandum, the Risk Committee comprises six directors—Mr. K. V. Kamath, Mr. Sridar Iyengar, Dr. Anup K. Pujari, Mr. V. Sridar, Mr. V. Prem Watsa and Ms. Chanda D. Kochhar. The majority of the members of the Committee are independent directors. Mr. K. V. Kamath is the Chairman of the Committee.

The Committee reviews ICICI Bank's risk management policies in relation to various risks (credit, market, liquidity, operational and reputation risks), investment policies and strategy and regulatory and compliance issues in relation thereto. The Committee also reviews the risk return profile of the Bank, capital adequacy based on risk profile of our balance sheet, Basel-II implementation, business continuity plan and disaster recovery plan, key risk indicators and significant risk exposures.

Share Transfer and Shareholders'/Investors' Grievance Committee

As of the date of the filing of this offering memorandum, the Share Transfer and Shareholders'/Investors' Grievance Committee comprises three directors—Mr. M. K. Sharma, Mr. Homi Khusrokhan and Mr. N. S. Kannan. Mr. M. K. Sharma, an independent director, is the Chairman of the Committee.

The functions of the 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 Executive Directors

As of the date of the filing of this offering memorandum, the Committee of Directors comprises all four executive directors and Ms. Chanda D. Kochhar, Managing Director and CEO is the Chairperson of the Committee. The other members are Mr. N. S. Kannan, Mr. K. Ramkumar and Mr. Rajiv Sabharwal.

The powers of the Committee include approval of credit proposals as per authorization approved by the board, approvals in respect of borrowing and treasury operations and premises and property related matters.

Code of Ethics

We have adopted a Code of Business Conduct and Ethics for our directors and all our employees. In fiscal 2010, we have not amended any provision of the code that is applicable to our executive officers, nor have we granted a waiver from any provision of the code to any of our executive officers.

Compensation and Benefits to Directors and Officers

Remuneration

Under our organizational documents, each non-executive 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-executive directors is set by our board from time to time in accordance with limits prescribed by the Companies Act or the government. The remuneration for attending each board or committee meeting is currently fixed at Rs. 20,000. In addition, we reimburse 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 us beyond attending meetings, we 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-executive directors other than the remuneration for attending each meeting of our board or of a board committee except Mr. K. V. Kamath who is being paid a remuneration of Rs. 2,000,000 per annum for a period of three years with effect from May 1, 2009. The above remuneration has been approved by shareholders, the Reserve Bank of India and the government of India. Non-Executive 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 approved by the shareholders, the salary payable to the Executive Directors. We are required to obtain specific approval of Reserve Bank of India for the actual monthly salary and performance bonus paid each year to the Executive Directors.

The following table sets forth the currently applicable monthly salary ranges:

Name and Designation	Monthly Salary Range (Rs.)
Ms Chanda D. Kochhar, Managing Director and CEO	700,000 - 1,350,000 (US$15,709 - US$30,296)
Mr. N. S. Kannan, Executive Director and CFO	300,000 - 1,000,000 (US$6,732 - US$22,442)
Mr. K. Ramkumar, Executive Director	300,000 - 1,000,000(US$6,732 - US$22,442)
Mr. Rajiv Sabharwal, Executive Director	300,000 - 1,000,000 (US$6,732 - US$22,442)

The executive directors are entitled to perquisites (evaluated pursuant to Indian Income-tax Rules, wherever applicable, and at actual cost to us in other cases) like the benefit of our 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 us to the extent permissible under the Income-tax Act, 1961 and 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 retired executive directors of the Bank or the members of the staff, as the case may be, from time to time, for these benefits. If Bank-owned accommodation is not provided, the Managing Director and CEO is entitled to house rent allowance of Rs. 250,000 per month and the other Executive Directors are eligible for house rent allowance of Rs. 200,000 per month and maintenance of accommodation including furniture, fixtures and furnishings, as may be provided by us.

There are no service contracts with our executive directors providing for benefits upon termination of their employment.

The total compensation paid by ICICI Bank to its executive directors and executive officers i.e. to Mr. K.V. Kamath, Ms. Chanda D. Kochhar, Mr. Sandeep Bakhshi, Mr. N.S. Kannan, Mr. K. Ramkumar, Mr. Sonjoy Chatterjee. Mr. V. Vaidyanathan and Mr. Pravir Vohra, during fiscal 2010 was Rs. 87.9 million.

Bonus

Each year, our Board of Directors awards discretionary bonuses to employees and Executive Directors on the basis of performance and seniority. The performance of each employee is evaluated through a performance management appraisal system. The aggregate amount paid by ICICI Bank for bonuses to all eligible employees and executive directors for fiscal year 2010 was Rs 1.68 billion. This amount was paid in fiscal 2011.

Employee Stock Option Scheme

We have an Employee Stock Option Scheme in terms of which up to 5.0% of our issued equity shares may be allocated to employee stock options. ICICI Bank, our subsidiaries' and our holding company's permanent employees and directors are eligible employees for grants of stock options. We have no holding company. The maximum number of options granted to any eligible employee in a year is restricted to 0.05% of our issued equity shares at the time of the grant.

Under the stock option scheme, eligible employees are entitled to apply for equity shares. 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 through fiscal 2008, 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. Options granted for fiscal 2009 vest in a graded manner over a five year period with 20.0%, 20.0%, 30.0% and 30.0% of grant vesting each year, commencing from the end of 24 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.

On the basis of the recommendation of the Board Governance, Remuneration and Nomination Committee, the board at its meeting held on April 24, 2010 approved a grant of approximately 2.39 million options for fiscal 2010 to eligible employees and wholetime Directors. Each option confers on the beneficiary a right to apply for one equity share of face value of Rs. 10 of ICICI Bank at Rs. 977.70, which was the closing price on that stock exchange which recorded the highest trading volume in ICICI Bank shares on April 23, 2010. These options will vest over a four year period, with 20%, 20%, 30% and 30% respectively of the grant vesting each year commencing from the end of 12 months from the date of the grant. The options granted to wholetime directors have been approved by Reserve Bank of India.

On the basis of the recommendation of the Board Governance, Remuneration and Nomination Committee, the board at its meeting held on October 29, 2010 approved a grant of approximately 3.1 million options as a special measure to eligible employees and wholetime Directors of ICICI Bank and certain of its subsidiaries. Each option confers on the beneficiary a right to apply for one equity share of face value of Rs. 10 of ICICI Bank at Rs. 967, which was the average closing price of the stock on the stock exchange during the six months up to October 28, 2010. It is proposed that 50% of the options would vest on April 30, 2014 and the balance 50% on April 30, 2015. The options proposed to be granted to the wholetime Directors are subject to approval by the Reserve Bank of India.

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 their 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 our 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 us 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 we have made under our employee stock option scheme. We granted all of these stock options at no cost to our employees. We have not granted any stock options to our non-executive directors. However, Mr. K.V. Kamath holds stock options granted to him when he was the Managing Director and CEO of ICICI Bank.

Date of grant	Number of options granted	Exercise price	
February 21, 2000	1,713,000	Rs. 171.90	US$ 3.7
April 26, 2001	1,580,200	170.00	3.7
March 27, 2002	3,155,000	120.35	2.6
April 25, 2003	7,338,300	132.05	2.8
July 25, 2003	147,500	157.03	3.4
October 31, 2003	6,000	222.40	4.8
April 30, 2004	7,539,500	300.10	6.5
September 20, 2004	15,000	275.20	5.9
April 30, 2005	4,906,180	359.95	7.8
August 20, 2005	70,600	498.20	10.7
January 20, 2006	5,000	569.55	12.3
April 29, 2006	6,267,400	576.80	12.4
July 22, 2006	29,000	484.75	10.4
October 24, 2006	78,500	720.55	15.5
January 20, 2007	65,000	985.40	21.2
April 28, 2007	4,820,300	935.15	20.2
July 21, 2007	11,000	985.85	21.2
October 19, 2007	46,000	1,036.50	22.3
January 19, 2008	40,000	1,248.85	26.9
March 8, 2008	39,000	893.40	19.3
April 26, 2008	5,583,500	915.65	19.7
July 26, 2008	25,000	656.75	14.2
October 27, 2008	20,500	308.50	6.6
March 6, 2009	2,500	901.75	20.1
April 25, 2009	1,723,500	434.10	9.4
March 6, 2010	2,500	901.75	20.1
April 24, 2010	2,392,600	977.70	21.8
July 31, 2010	44,000	904.90	20.1

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-executive directors.

Date of grant	Number of options granted	Exercise price(1)	
August 3, 1999	2,323,750	Rs. 85.55	US$ 1.8
April 28, 2000	2,902,500	133.40	2.9
November 14, 2000	20,000	82.90	1.8
May 3, 2001	3,145,000	82.00	1.8
August 13, 2001	60,000	52.50	1.1
March 27, 2002	6,473,700	60.25	1.3

(1) The exercise price is equal to the market price of ICICI's equity shares on the date of grant.

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 our stock options pursuant to our employee stock option scheme.

The following table sets forth certain information regarding the options granted by us (including options granted by ICICI adjusted in accordance with the Scheme of Amalgamation) at September 30, 2010.

Particulars	ICICI Bank
Options granted	55,143,055
Options vested	39,494,858
Options exercised	27,615,511
Options forfeited/lapsed	8,799,527
Extinguishment or modification of options	None
Amount realized by exercise of options	Rs. 6,126,599,839
Total number of options in force	18,728,017

OVERVIEW OF THE INDIAN FINANCIAL SECTOR

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 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.

The 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 on meeting the short-term financial needs of industry, trade and agriculture. At December 31, 2009, there were 165 scheduled commercial banks in the country, with a network of 82,511 branches serving approximately Rs. 41.95 trillion 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 63.2% 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 five associate banks, 19 nationalized banks and 84 regional rural banks. Excluding the regional rural banks, the remaining public sector banks have 57,616 branches, and accounted for 74.4% of the outstanding gross bank credit and 78.6% of the aggregate deposits of the scheduled commercial banks at December 31, 2009. 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 in terms of total assets. At December 31, 2009, the State Bank of India and its five associate banks had 16,851 branches. They accounted for 23.4% of aggregate deposits and 23.8% 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 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 adopted as amendments to the Regional Rural Banking Act, 1976. As part of a comprehensive restructuring program, re-capitalization 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. 21.9 billion from the stakeholders. Simultaneously, prudential norms on income recognition, asset classification and provisioning for loan losses following customary banking benchmarks were introduced.

Currently there are 84 regional rural banks and at December 31, 2009 they had 15,196 branches, and accounted for 3.0% of aggregate deposits and 2.5% of gross bank credit outstanding of scheduled commercial 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 us. These banks are collectively known as the "new" private sector banks. At year-end fiscal 2010, there were seven "new" private sector banks. In addition, 15 old private sector banks existing prior to July 1993 were operating. The Sangli Bank Limited, an unlisted "old" private sector bank merged with us with effect from April 19, 2007. The Centurion Bank of Punjab merged with HDFC Bank in May 2008. The Bank of Rajasthan Limited, a private sector bank, merged with us with effect from the close of business on August 12, 2010.

At December 31, 2009, private sector banks accounted for approximately 17.1% of aggregate deposits and 17.8% of gross bank credit outstanding of the scheduled commercial banks. Their network of 9,412 branches accounted for 11.4% of the total branch network of scheduled commercial banks in the country.

In August 2010, the Reserve Bank of India released a discussion paper seeking public comment on the entry of new banks in the private sector. The broad aspects covered in the discussion paper include minimum capital requirements, promoter shareholding, foreign shareholding in the new banks, allowing industrial business houses to promote banks, converting non-banking financial companies to banks and the business model of the new banks.

Foreign Banks

Currently there are 31 foreign banks operating in India and at December 31, 2009, foreign banks had 287 branches in India. Foreign banks accounted for 5.5% of aggregate deposits and 5.3% of outstanding gross bank credit of scheduled commercial banks at December 31, 2009. 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 retail banking significant part of their portfolios. Most 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 another banks' 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.

In April 2009, in view of the deterioration in the global financial markets, the Reserve Bank of India decided to put on hold the second phase until greater clarity emerged on recovery as well as the reformed global regulatory and supervisory architecture. In the annual policy review for fiscal 2011, the Reserve Bank of India indicated that a draft discussion paper on the mode of presence of foreign banks would be released during fiscal 2011. The Reserve Bank of India has indicated that the current policy and procedures governing the presence of foreign banks in India will continue until such time.

Co-operative Banks

Co-operative 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 co-operative banks. Presently the Reserve Bank of India is responsible for supervision and regulation of urban co-operative banks, and the National Bank for Agriculture and Rural Development for state co-operative banks and district central cooperative banks. The Banking Regulation (Amendment) and Miscellaneous Provisions Act, 2004 provides for the regulation of all co-operative banks by the Reserve Bank of India. See also "—Recent Structural Reforms—Proposed Amendments to the Banking Regulation Act". A task force appointed by the government of India to examine the reforms required in the co-operative banking system submitted its report in December 2004. It recommended several structural, regulatory and operational reforms for co-operative banks, including the provision of financial assistance by the government for revitalizing this sector. In the Indian government's 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. During fiscal 2006 the Reserve Bank of India outlined a medium term framework for urban co-operative banks. Subsequently a task force for urban co-operative banks has been set up in select states for identification of and drawing up of a time- bound action plan for revival of potentially viable urban co-operative banks and for a non-disruptive exit for non-viable urban co-operative 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, and the 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 such institutions 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 certain period 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.

The long-term funding needs of Indian companies are met primarily by banks, Life Insurance Corporation of India and specialized non-bank finance companies like Infrastructure Development Finance Corporation. Indian companies also make bond issuances to institutional and retail investors.

Non-Bank Finance Companies

There are about 12,700 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. The Reserve Bank of India classifies non-bank financial companies in three categories—asset finance companies, loan companies and investment companies. In February 2010, the Reserve Bank of India introduced a fourth category of non-banking financial company called infrastructure finance companies. ICICI Securities Limited, our subsidiary, is a non-banking financial company which does not accept public deposits and ICICI Home Finance Company, our subsidiary, is a non-banking financial company which accepts 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 infrastructure finance, 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.

During fiscal 2006, the Reserve Bank of India issued guidelines on the financial regulation of systemically 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. 1.0 billion as per the last audited balance sheet as systemically important. These non-banking financial companies were required to maintain a minimum capital to risk weighted assets ratio of 10.0%, in addition to conforming with single and group exposure norms. In August 2008, the Reserve Bank of India issued draft guidelines covering non-deposit taking non-banking financial companies. It was proposed that non-deposit taking non-banking financial companies with an asset size of Rs. 1.0 billion and above will have to maintain capital to risk weighted assets ratio of 12.0% against the current minimum of 10.0%. The capital adequacy ratio was proposed to be increased to 15.0% from April 2009. In the annual policy statement announced on April 21, 2009, the Reserve Bank of India deferred the implementation of capital to risk weighted assets ratio of 12.0% to March 31, 2010 and of 15.0% to March 31, 2011.

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. Housing Development Finance Corporation Limited is a leading provider of housing finance in India. In recent years, several other players including banks have entered the housing finance industry. We also have a housing finance subsidiary, ICICI Home Finance Company. The National Housing Bank and the Housing and Urban Development Corporation Limited are the two major financial institutions instituted through acts of Parliament 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. These 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, Infrastructure Development Finance Corporation Limited and India Infrastructure Finance Company.

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 45 insurance companies in India, of which 23 are life insurance companies and 22 are general insurance companies. There is also one re-insurance company. Of the 23 life insurance companies, 22 are in the private sector and one is in the public sector. Among the general insurance companies, 16 are in the private sector and eight (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.

The insurance sector in India is regulated by the Insurance Regulatory and Development Authority. In December 1999, the Indian Parliament passed the Insurance Regulatory and Development Authority Act, 1999 which also amended the Insurance Act, 1938. This opened up the Indian insurance sector for foreign and private investors. The Insurance Act allows foreign equity participation in new insurance companies of up to 26.0%. A new company should have a minimum paid up equity capital of Rs. 1.0 billion to carry on the business of life insurance or general insurance or Rs. 2.0 billion 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 ten 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 laws and the foreign investment policy has not yet been implemented.

In fiscal 2010, the new business weighted individual premium underwritten by the life insurance sector increased by 16.7% to Rs. 550.2 billion compared to Rs. 471.6 billion in fiscal 2009. Of the above, the share of private sector decreased from 57.0% in fiscal 2009 to 52.3% in fiscal 2010. The first year premium underwritten in the general insurance sector amounted to Rs. 347.6 billion in fiscal 2010 as against Rs. 306.4 billion in fiscal 2009, recording a year-on-year growth of 13.4%. The share of private sector decreased marginally from 41.2% in fiscal 2009 to 40.9% in fiscal 2010. Recently, the Insurance Regulatory and Development authority introduced revisions to the unit-linked insurance products such as an increase in the lock-in period from three years to five years, a minimum mortality cover, a cap on surrender and other charges and a minimum guaranteed return of 4.5% on pension annuity products. The minimum guaranteed return of 4.5 % on pension products is applicable up to year-end fiscal 2011. From fiscal 2012 the guaranteed return will be 50 basis points above the average reverse repo rate subject to a maximum of 6% and a minimum of 3%. On October 21, 2010, the Insurance Regulatory and Development Authority ordered that insurers are not permitted to sell universal life insurance products until guidelines on the regulation of such products are finalized. These changes are expected to impact the life insurance business in India. See also "Risk Factors—Risks Relating to Our Business—Our life insurance business has reported statutory losses since inception until fiscal 2009". Gross premiums underwritten by general insurance companies moderated in fiscal 2008 and fiscal 2009 owing to de-tariffing of the general insurance sector. Until January 1, 2007, almost 70.0% of the general insurance market was subject to price controls under a tariff regime. With the commencement of a tariff free regime effective January 1, 2007, the resultant competitive pricing has led to a significant decrease in premium rates across the industry leading to moderate premium growth during fiscal 2009 and fiscal 2010. 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, and general insurance joint venture, ICICI Lombard General Insurance Company, are both the largest players in the private sector.

Mutual Funds

Currently there are 40 mutual funds in India with average assets under management for July 2010 of Rs. 6,655.7 billion. Average assets under management of all mutual funds increased by 51.5% from Rs. 4,932.9 billion at March 2009 to Rs. 7,475.3 billion at March 2010. From year 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 Securities and Exchange Board of India (Mutual Fund) Regulation, 1996. Our asset management joint venture, ICICI Prudential Asset Management Company, was among the top three mutual funds in India based on average assets under management for July 2010 with an overall market share of about 10.0%.

In June 2009, the Securities and Exchange Board of India removed the entry load, up front charges deducted by mutual funds, for all mutual fund schemes and required that the up front commission to distributors should be paid by the investor to the distributor directly. In February 2010, the Securities and Exchange Board of India introduced guidelines for the valuation of money market and debt securities with a view to ensure that the value of money market and debt securities in the portfolio of mutual fund schemes reflect the current market scenario. The valuation guidelines are effective from August 1, 2010.

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 transformation of long-term lending institutions into banks, have progressively intensified the competition among banks. The Reserve Bank of India 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, non-performing 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. The Reserve Bank of India currently requires banking companies to maintain a liquidity ratio 25.0%;

- similarly, the cash reserve ratio or the proportion of a bank's net demand and time liabilities that was required to be deposited with the Reserve Bank of India was reduced from 15.0% in the pre-reform period to a low of 4.5%. The cash reserve ratio effective April 24, 2010 is 6.0%.

- 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 re-capitalization amounted to Rs. 217.5 billion. 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 Banking Regulation Act

The government promulgated an ordinance in 2007 enabling the Reserve Bank of India to specify the statutory liquidity ratio without any floor rate. The ordinance has subsequently been repealed and replaced by the Banking Regulation (Amendment) Act, 2007.

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 floor rate of 3.0% for cash reserve ratio requirement, giving the Reserve Bank of India discretion to reduce the cash reserve ratio to less than 3.0%. The amendments also created a legal and regulatory framework for derivative instruments.

Amendments to Laws Governing Public Sector Banks

In 2006, the Indian Parliament 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 authorize the Reserve Bank of India to prescribe 'fit and proper' criteria for directors of such banks and to permit the 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; and
- remove the 10.0% limit 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, 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

The Reserve Bank of India has devised a corporate debt restructuring system to put in place an institutional mechanism for the restructuring of corporate debt. 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 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 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 pension 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 that the Insurance Regulatory and Development Authority 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 basic 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 system 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 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 Indian government's budget for fiscal 2006 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. In 2009, the government extended the New Pension System to all citizens of India on a voluntary basis, effective from May 1, 2009. Private sector participation in managing pension assets was permitted for the first time in fiscal 2009, and six private sector companies have been issued licenses. See also "Business—Overview".

Impact of Global Financial Crisis on India

The bankruptcy of Lehman Brothers in September 2008 led to a rapid deterioration of the global macroeconomic environment and a sharp moderation in global economic activity. In India, this impact was felt mainly through the trade and capital channels. As a result, there was a sharp reduction in domestic liquidity in September-October 2008. The decline in global commodity prices led to a moderation in inflation and facilitated substantial reductions in key policy rates and reserve requirements. The Reserve Bank of India reduced repo and reverse repo rates and the statutory liquidity ratio and cash reserve ratio requirements to ease liquidity situation, especially for non-banking financial companies and mutual fund companies.

Credit Policy Measures

The Reserve Bank of India issues an annual policy statement setting out its monetary policy stance and announcing various regulatory measures. The Reserve Bank of India issues a review of the annual policy statement on a quarterly basis.

Annual Policy Statement for Fiscal 2010

In its annual policy statement for fiscal 2010 announced on April 21, 2009, the Reserve Bank of India reduced the repo rate by 25 basis points from 5.0% to 4.75% and the reverse repo rate by 25 basis points from 3.5% to 3.25% effective April 21, 2009. Other measures announced by the Reserve Bank of India were:

- With effect from April 1, 2010, payment of interest on savings bank accounts of scheduled commercial banks would be calculated on a daily product basis and not on minimum balances held in the accounts during the period from the tenth day to the last day of each calendar month. This would increase the cost of savings deposits and total deposits for banks.

- Constitute a working group to review the present benchmark prime lending rate system and suggest changes to make credit pricing more transparent.

Annual Policy Statement for Fiscal 2011

In its annual policy statement for fiscal 2011, announced on April 20, 2010, the Reserve Bank of India increased the repo rate by 25 basis points from 5.0% to 5.25%, the reverse repo rate by 25 basis points from 3.5% to 3.75% effective April 20, 2010 and the cash reserve ratio by 25 basis points from 5.75% to 6.0% effective April 24, 2010. Other measures announced by the Reserve Bank of India were:

- Preparation of a discussion paper by September 2010 on the mode of presence of foreign banks through branches or wholly owned subsidiaries.

- Preparation of a discussion paper by end-July 2010 discussing international practices, the Indian experience and also the current ownership and governance guidelines in considering whether to grant additional banking licenses to private sector players.
- Constituting a working group to recommend a roadmap for the introduction of a holding company structure.

Effective July 2, 2010, the Reserve Bank of India increased the repo and reverse repo rates by 25 basis points each to 5.5% and 4.0% respectively.

First Quarter Review of Annual Policy Statement for Fiscal 2011

In its first quarter review of the annual policy statement for fiscal 2011 announced on July 27, 2010, the Reserve Bank of India increased the repo rate by 25 basis points from 5.5% to 5.75% and the reverse repo rate by 50 basis points from 4.0% to 4.50%.

Mid Quarter Review of Annual Policy Statement for Fiscal 2011 in September 2010

In its mid quarter review of the annual policy statement for fiscal 2011 announced on September 16, 2010, the Reserve Bank of India increased the repo rate by 25 basis points from 5.75% to 6.00% and the reverse repo rate by 50 basis points from 4.50% to 5.00%.

Second Quarter Review of Annual Policy Statement for fiscal 2011

In its second quarter review of the annual policy statement for fiscal 2011 announced on November 2, 2010, the Reserve Bank of India increased the repo rate by 25 basis points from 6.00% to 6.25% and the reverse repo by 25 basis points from 5.00% to 5.25%. Other measures announced by the Reserve Bank of India were:

- The risk weight for residential housing loans of more than Rs. 7.5 million irrespective of the loan-to-value ratio was increased to 125%.
- The loan-to-value ratio for housing loans was capped at 80%.
- Standard asset provisioning on home loans sanctioned at teaser rates (loans offered at comparatively lower rate of interest in the first few years, after which rates are reset at higher rates) was increased from 0.4% to 2.0%.
- The threshold for investments by financial conglomerates in their significant entities was decreased to 20% from the present 30%, such that where investments exceed 20% of the paid-up capital of such entities, it will be deducted at 50% from Tier I and 50% from Tier II capital.
- A discussion paper with pros and cons of deregulation of savings deposit interest rates, which is currently fixed at 3.5%, will be released by end December 2010.
- Guidelines stipulating prudential limits to regulate the investments of banks in companies engaged in forms of business other than financial services will be issued separately.
- Draft guidelines on licensing of new private sector banks will be issued by end January 2011.
- Final guidelines on compensation practices in banks will be issued in December 2010.
- Detailed guidelines to fully align corporate governance practices in India with principles enunciated by the Basel Committee on Banking Supervision will be issued.
- All scheduled commercial banks will convert their opening balance sheet as of April 1, 2013 in compliance with Indian Accounting Standards' convergence with International Financial Reporting Standards (IFRS).

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 to 15.0% of public deposits since April 1999. 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. Effective April 24, 2007, the maximum rate of interest on public deposits accepted by non-bank finance companies was increased to 12.5% per annum.

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. 3 million 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 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 enter the 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. 1.0 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 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 a 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. In August 2008, the Reserve Bank of India issued draft guidelines covering non-deposit taking non-banking financial companies. It was proposed that non-deposit taking non-banking financial companies with asset size of Rs. 1.0 billion and above will have to maintain capital to risk weighted assets ratio of 12.0% against the current minimum of 10.0%. The capital adequacy ratio was proposed to be increased to 15.0% from April 2009. In the annual policy statement announced on April 21, 2009, the Reserve Bank of India deferred the implementation of capital to risk weighted assets of 12.0% to March 31, 2010 and of 15.0% to March 31, 2011.

As per existing instructions of the Reserve Bank of India, non-banking financial companies in India having assets of Rs. 500 million and above as per their last audited results are required to constitute an audit committee, consisting of no less than three members of its Board of Directors. In May 2007 the Reserve Bank of India announced that non-banking financial companies with deposit base of Rs. 200 million and above may also consider constituting an audit committee on similar lines. Further, the Reserve Bank of India has also instructed non-banking financial companies with public deposits of Rs. 200 million and above or having an asset size of Rs. 1.0 billion or above to form a nomination committee to ensure 'fit and proper' status of proposed/existing directors for such companies. The Reserve Bank of India also instructed such non-banking financial companies to form a risk management committee to manage integrated risk. Additionally, the Reserve Bank of India also prohibited such non-banking financial companies from extending loans, advances or non-fund based facilities or any other financial accommodation/facilities to their directors and/or certain other connected persons. The Reserve Bank of India classifies non-bank finance companies under three categories—asset finance companies, loan companies and investment companies. In February 2010, the Reserve Bank of India introduced a fourth category of non-banking financial company, called infrastructure finance companies.

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, the Foreign Exchange Management 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. Banking companies in India are also subject to the purview of the Companies Act and if such companies are listed on a stock exchange in India, then various regulations of the Securities Exchange Board of India would additionally apply to such companies.

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.

ICICI Bank, because it is licensed as a banking company, is regulated and supervised by the Reserve Bank of India. The Reserve Bank of India requires us to furnish statements and information relating to our business. It has issued, among others, guidelines for commercial banks on recognition of income, classification of assets, exposure norms on concentration risk, 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 locate at least 25.0% of our branches 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 system of granting authorizations for opening individual branches from time to time was replaced by a system of aggregated approvals on an annual basis. The Reserve Bank of India discusses with individual banks their branch expansion strategies and plans over the medium term. The term "branch" for this purpose would include a full-fledged branch, an extension counter, off-site ATMs, administrative office, and back offices. While processing authorization requests, the Reserve Bank of India gives importance to the nature and scope of banking services particularly in under-banked areas, 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. In December 2009, the Reserve Bank of India permitted banks to open branches in tier 3 to tier 6 centers (centers with population up to 49,999), as defined on the basis of population size as per the census of 2001, without obtaining prior approval. However, banks are required to report the opening of such branches to the Reserve Bank of India. In its annual policy statement for fiscal 2010, announced on April 21, 2009, the Reserve Bank of India permitted banks to install offsite ATMs without prior permission.

In July 2010, permission was granted to schedule commercial banks to operate well-protected vans as mobile branches or ATMs in tier 3 to tier 6 cities.

Capital Adequacy Requirements

We are required to comply with the capital adequacy guidelines issued by the Reserve Bank of India. In April 2007, the Reserve Bank of India issued guidelines for the implementation of a capital adequacy framework based on the revised framework approved by the Basel Committee on Banking Supervision, or Basel II. These guidelines became applicable to banks that have an international presence, like us, effective year-end fiscal 2008 and to all other banks effective year-end fiscal 2009. These guidelines require banks to maintain a minimum capital to risk weighted asset ratio of 9.0%, of which a minimum of 6.0% (an increase from 4.5% required by the earlier Basel I guidelines) must be tier I capital. The guidelines stipulate that investments above 30.0% in the paid up equity of financial subsidiaries and associates which are not consolidated for capital purposes and investments in other instruments eligible for regulatory capital status in those entities must be deducted to the extent of 50.0% from tier I capital and 50.0% from tier II capital. The guidelines also introduce a capital charge for operational risk. We are required to maintain capital adequacy based on the higher of minimum capital required under Basel II or the prudential floor specified for minimum capital required under Basel I. The prudential floor for Basel I for years ending March 31, 2008, 2009 and 2010 is 100.0%, 90.0% and 80.0%, respectively.

Risk adjusted assets and off-balance sheet items considered for determining the capital adequacy ratio are the risk weighted total of funded and non-funded exposures. Degrees of credit risk expressed as percentage weighting have been assigned to various balance sheet asset items and off-balance sheet items. The credit equivalent value of off-balance sheet items is determined by applying conversion factors to the notional amount of the off-balance sheet items. The conversion factor ranges between 20.0% to 100.0% depending on the nature and maturity of the off-balance sheet item. The value of each item is multiplied by the relevant risk weight (and conversion factor for off-balance sheet items) to produce risk-adjusted values of assets and off-balance sheet items. Consumer credit exposures attract a risk weight of 125.0% and exposures meeting the qualifying criteria of regulatory retail, defined by the Reserve Bank of India, attract a risk weight of 75%. The risk weight for capital market exposure are set at 125% and loans secured by residential property attract a differential risk weight ranging from 50% to 100% based on the size of the loan and the loan-to-value ratio. Exposures to commercial real estate are risk weighted at 100.0%, venture capital funds are weighted at 150.0% and other unrated loans/credit exposures at 100.0%. Credit exposures to rated corporates are risk weighted based on the external credit ratings at a facility level. Banks are also required to maintain a capital charge for market risk in respect of their trading book exposure (including derivatives) and securities included in the available for sale category. All open foreign exchange positions carry a 100.0% risk weight. Capital requirements have also been prescribed for open positions in gold. Banks are also expected to compute their credit exposures, arising on account of interest rate and foreign exchange derivative transactions and gold, using the current exposure method.

In July 2009, the Reserve Bank of India issued a time schedule for the introduction of advanced approaches of Basel II framework in India whereby banks are required to apply to the Reserve Bank of India for migration to internal models approach for market risk and the standardized approach for operational risk after April 1, 2010 and for advanced measurement approach for operational risk and internal ratings based approaches for credit risk after April 1, 2012.

The Reserve Bank of India issued guidelines on securitization of standard assets on February 1, 2006. The guidelines define criteria for true sale of assets, 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. In April 2007, the Reserve Bank of India issued Basel-II accord based prudential guidelines pursuant to which certain unrated securitization exposures will have to be deducted 50.0% from tier I and 50.0% from tier II capital. The guidelines have also specified differential risk weight mapping based on the rating of the securitization exposure of the originator/investor.

The total capital of a bank is classified into tier I and tier II capital. Tier I capital provides the most permanent and readily available support against unexpected losses. It comprises paid-up capital, reserves consisting of any statutory reserves, other disclosed free reserves and innovative perpetual debt instruments issued in compliance with current regulations issued by the Reserve Bank of India for inclusion in tier I capital as reduced by 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. In July 2009, the Reserve Bank of India clarified that the special reserve created by banks should be considered net-of-tax payable in the 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 are able to support losses on an ongoing basis without triggering liquidation), and subordinated debt. Commencing five years from maturity, 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.

The Reserve Bank of India has issued guidelines permitting banks to issue perpetual debt with a call option which may be exercised after not less than ten years, with its prior approval, for inclusion in tier I capital up to a maximum of 15.0% of total tier I capital. The Reserve Bank of India has also permitted banks to issue debt instruments with a minimum maturity of 15 years and a call option after not less than ten years, to be exercised with its prior approval, for inclusion in upper 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. In October 2007, to enhance the range of eligible instruments available to banks for capital adequacy purposes, the Reserve Bank of India issued guidelines permitting banks to issue preference shares as part of regulatory capital. Banks have been allowed to issue perpetual non-cumulative preference shares as part of tier I capital and perpetual cumulative preference shares, redeemable non-cumulative preference shares and redeemable cumulative preference shares as part of tier II capital. Further, the Parliament 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. According to current provisions private sector banks in India are not permitted to issue preference shares. Legislation has been introduced in the Parliament to amend the Banking Regulation Act to allow all banks to issue redeemable and non-redeemable preference shares. In September 2009, the Reserve Bank of India issued guidelines permitting banks to issue subordinated debt as lower tier II capital with call and step-up options. See also "Operating and Financial Review and Prospects—Capital Resources".

In March 2008, the Reserve Bank of India issued guidelines pertaining to the Supervisory Regulatory Process and the Internal Capital Adequacy Assessment Process under Basel II. The guidelines require banks to develop and put in place, with approval of their boards, an Internal Capital Adequacy Assessment Process commensurate with their size, level of complexity, risk profile and scope of operations. In June 2007, the Reserve Bank of India issued a circular on stress testing to advise banks to put in place appropriate stress testing policies frameworks, the details and results of which are included in the Internal Capital Adequacy Assessment Process.

In November 2008, as per guidelines issued by the Reserve Bank of India, restructured housing loans are required to be risk weighted with an additional risk weight of 25.0%.

In February 2010, the Reserve Bank of India issued revised Basel II guidelines, which increased capital requirements for specific risk and liquidity facilities for securitization exposures. The guidelines stipulate that in cases of securitization exposures where the assessment is partly based on unfunded support, banks would not be permitted to use any external credit assessment for risk weighting. The Reserve Bank of India, in its revised Basel II guidelines also issued guidance on the assessment of valuation adjustments on account of illiquidity for less liquid/illiquid positions that are subject to market risk capital requirements. The Reserve Bank of India stipulated that these valuation adjustments are to be deducted from tier I capital. ICICI Bank had applied this guidance in its computation of capital adequacy position at year-end fiscal 2010. Subsequently in May 2010, Reserve Bank of India issued a clarification stating deferment of the application of this guidance to a future date, pending the finalization of a standardized methodology for computing the valuation adjustments for less liquid/illiquid positions, to be formulated by a working group of the Reserve Bank of India. Additional disclosures for securitization and credit risk mitigation were also mandated under Pillar 3 of the Basel II framework.

In order to strengthen the resilience of the banking sector to potential future shocks, together with ensuring adequate liquidity in the banking system, the Basel Committee on Banking Supervision issued consultative documents on capital and liquidity (popularly known as "Basel III" proposals) on December 17, 2009. Subsequent amendments to and guidance regarding these proposals were issued in July 2010, August 2010 and September 2010. The Basel III proposals seek to increase capital requirements for the banking system and introduce internationally harmonized global liquidity standards. Some aspects of the proposals continue to be at the stage of consultation. The complete form of the Basel III framework is expected to be finalized by end of calendar year 2010. See also "Operating And Financial Review And Prospects—Capital Resources—Impending regulatory developments associated with capital adequacy—Basel III proposals."

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, which are revised from time to time.

The principal features of these Reserve Bank of India guidelines, which have been implemented with respect to our loans, debentures, lease assets, hire purchases and bills in our Indian GAAP financial statements are 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. 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" (as defined below) 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 principal or interest remains overdue for two crop seasons for short duration crops or for one crop season for long duration crops;
- the amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitization transaction undertaken in accordance with the Reserve Bank of India guidelines on securitization issued on February 1, 2006; or
- in respect of derivative transactions, the overdue receivables related to positive mark-to-market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment.

An account should be treated as "out-of-order" if the outstanding balance remains continuously in excess of the approved drawing limit. In circumstances where the outstanding balance in the principal operating account is less than the approved drawing limit, but (i) there are no credits continuously for a period of 90 days as of the date the balance sheet of the bank or (ii) the credits are not sufficient to cover the interest debited during the same period, these accounts should be treated as "out-of-order".

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. 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. 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 classification of loans for projects under implementation which are based on the date of commencement of commercial production and date of completion of the project as originally envisaged at the time of financial closure.

The Reserve Bank of India also has separate guidelines for restructured loans. A fully secured standard loan can be restructured by rescheduling of principal repayment and/or the interest element, but must be separately disclosed as a restructured loan. The amount of diminution, if any, in the fair value of the loan, measured in present value terms, is either written off or provided for to the extent of the diminution involved. Similar guidelines are applicable to sub-standard and doubtful 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. The Reserve Bank of India has specific sections concerning debt-restructuring mechanisms for small and medium enterprises in its guidelines on restructuring of loans by banks issued on August 27, 2008. In fiscal 2009, due to the extraordinary economic circumstances, modifications to guidelines on restructuring of loans covering all categories of loans were issued. In December 2008, the Reserve Bank of India permitted commercial real estate exposures to be restructured up to June 30, 2009 with asset classification concessions. The second restructuring of loan exposures was made eligible for concessional regulatory treatment up to June 30, 2009. This however excluded exposures to commercial real estate, capital market exposures, and personal/consumer loans. On January 2, 2009, Reserve Bank of India guidelines were issued, whereby accounts which were standard assets as on September 1, 2008 but slipped into the non-performing asset category and were restructured for the first time before January 31, 2009 could be reported as standard. On February 4, 2009, the time period for taking up restructuring was extended to March 31, 2009. The above revised provisions regarding restructuring of accounts were applicable only up to June 30, 2009. Banks were also required to disclose in the balance sheet details regarding applications received as on March 31, 2009 for restructuring, proposals approved, implemented, and proposals under consideration.

In October 2008, the Reserve Bank of India issued guidelines requiring banks to classify derivatives contract receivables over due for ninety days or more as non-performing assets.

In March 2010, norms were issued pertaining to advances for infrastructure and non-infrastructure projects. In case of infrastructure projects, a loan would be classified as non-performing if it failed to commence commercial operations within two years from the committed date of commencement, unless it is restructured during the period. Any extension of the date of commencement would also be treated as restructuring of the account.

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 under the Indian GAAP 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 0.40% (0.25% until fiscal 2005) is required, other than for direct advances to the agriculture and small and medium enterprise sectors which continue to attract a provisioning of 0.25%. In fiscal 2007, the Reserve Bank of India increased the general provisioning requirement for standard advances in specific sectors including residential housing loans greater than Rs 2.0 million from 0.40% to 1.00%. In January 2007, the general provisioning requirement for real estate sector loans (excluding residential housing loans), credit card receivables, loans and advances qualifying as capital market exposure, personal loans and exposures to non-deposit taking systemically important non-banking financial companies was increased to 2.0%. In November 2008, the Reserve Bank of India reinstated the general provisioning requirement on incremental advances for all types of standard assets to the uniform level of 0.40%, except in the case of direct advances to the agricultural and small and medium enterprise sectors, which continued to attract provisioning of 0.25%. The revised norms were effective prospectively but the existing provisions held by banks could not be reversed. On November 5, 2009, the Reserve Bank of India increased general provisioning requirements for advances to commercial real estate classified as standard assets from 0.40% to 1.00%.

- *Sub-Standard Assets*: A general provision of 10.0% of the total outstanding is required. However, unsecured exposures, which are identified as sub-standard attract an additional provision of 10.0%, i.e., a total of 20.0% on the outstanding balance. In April 2010, an exception was given to infrastructure loan accounts classified as sub-standard, which attract a provisioning of 15%.

- *Doubtful Assets*: A 100.0% provision/write-off is required to be done against the unsecured portion of the doubtful asset and charged against income. For the secured portion of assets classified as doubtful, 20.0% provision is required to be made for assets that have been classified as doubtful for a year, 30.0% for assets that have been classified as doubtful for one to three years and 100.0% assets classified as doubtful for more than three years. 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.

- *Loss Assets*: The entire asset is required to be written off or provided for.

- *Restructured Loans*: Until August 27, 2008, 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 future interest on the basis of rescheduled terms at the time of restructuring was required to be made. For loans restructured after August 27, 2008, a provision equal to the difference between the fair value of the loan before and after restructuring is required to be made. The fair value of the loan before restructuring is computed as the present value of cash flows representing the interest at the existing rate charged on the loan before restructuring and the principal. The fair value of the loan after restructuring is computed as the present value of cash flows representing the interest at the rate charged on the loan on restructuring and the principal. Both sets of cash flows are discounted by the bank's Benchmark Prime Lending Rate as on the date of restructuring plus the appropriate term premium and credit risk premium for the borrower category on the date of restructuring.

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 against non-performing 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 must 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 compute the net non-performing assets. Alternatively, floating provisions could be treated as part of tier II capital within the overall ceiling of 1.25% of total risk-weighted assets for inclusion of general provisions and loss reserves in tier II capital. Floating provisions do not include specific voluntary provisions made by banks for advances which are higher than the minimum provision stipulated by the Reserve Bank of India guidelines. In March 2009, the Reserve Bank of India issued revised norms relating to prudential treatment of floating provisions whereby effective fiscal 2010 floating provisions cannot be netted off from gross non-performing assets to compute net non-performing assets. However, in August 2009, the Reserve Bank of India decided to defer the implementation of this new guideline until further notice. Accordingly, banks continue to have the choice between deducting their existing floating provisions from gross non-performing assets to arrive at net non-performing assets or reckon it as part of tier II capital subject to the overall ceiling of 1.25% of total risk weighted assets.

In addition, in its second quarter review of the Monetary Policy 2009-10 on October 27, 2009 the Reserve Bank of India has advised Indian banks to increase their total provisioning coverage ratio, including floating provisions and prudential/technical write-offs, to 70% by September 30, 2010. The Reserve Bank of India allowed the banks to include prudential/technical write-off in both the gross non-performing assets and the provisions held in the calculation of provisioning coverage ratio. We have been permitted by the Reserve Bank of India to achieve the stipulated level of provisioning coverage of 70% in a phased manner by March 31, 2011. See also "Risk Factors——Risks Relating to Our Business——Further deterioration of our non-performing asset portfolio combined with recent Reserve Bank of India requirements that all Indian banks increase their provisioning coverage as a percentage of gross non-performing assets could adversely affect our business".

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 also 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 finance 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 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. From July 1, 2010, the benchmark prime lending rate was replaced by the base rate, which takes into consideration all elements of lending rates that are common across borrowers. The base rate is the minimum rate for all loans, banks are not permitted to lend below the base rate except for Differential Rate of Interest advances, loans to banks' own employees and loans to banks' depositors against their own deposits. Accordingly, the current stipulation of prime lending rate as the ceiling rate for loans up to Rs. 200,000 has been withdrawn. Banks have been permitted to arrive at the base rate for a specific tenor that would be needed to be disclosed transparently. Further, banks have been permitted to determine their final lending rates on loans and advances with reference to the base rate and by including such other customer specific charges as they consider appropriate. Until such time that loans linked to the benchmark prime lending rate exists, both the benchmark prime lending rate and the base rate would have to be announced by banks.

- Section 21A of the Banking Regulation Act provides that the rate of interest charged by a bank shall not be reopened by any court on the ground that the rate of interest charged by a bank is excessive. In May 2007, the Reserve Bank of India notified that the boards of banks should lay down internal principles and procedures so that interest rates charged by banks are in conformity with normal banking prudence and are not usurious.

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.

Guidelines Relating to Use of Recovery Agents by Banks

In April 2008, the Reserve Bank of India issued guidelines for banks engaging recovery agents. The Reserve Bank of India has asked banks to put in place a due diligence process for engagement of recovery agents, structured to cover individuals involved in the recovery process. Banks are expected to communicate details of recovery agents to borrowers and have in place a grievance redressal mechanism pertaining to the recovery process. The Reserve Bank of India has advised banks to initiate a training course for current and prospective recovery agents to ensure prudent recovery practices.

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. The Reserve Bank of India has prescribed that the plan of realization for reconstruction of assets shall not exceed 5 years from the date of acquisition of the asset. In April 2009, as an interim measure, the Reserve Bank of India allowed an extension of 2 years for realization of the assets in respect of the security receipts issued by securitization/asset reconstruction companies, which have been outstanding for more than 5 years. See also "Overview of the Indian Financial Sector—Recent Structural Reforms—Legislative Framework for Recovery of Debts Due to Banks".

In March 2009, the Reserve Bank of India issued guidelines relating to excess provisions on sale of standard assets and non-performing assets. Banks were permitted to voluntarily make specific provisions for non-performing assets at rates higher than prescribed by regulation with the additional provisions for non-performing assets netted off from gross non-performing assets to arrive at net non-performing assets. According to the guidelines in respect to sale of standard assets, in case the sale consideration is higher than the book value, the excess provisions could be credited to the profit and loss account. Excess provisions which arise on sale of non-performing assets could be treated as tier II capital subject to the overall ceiling of 1.25% of total risk weighted assets. Regarding provisions for diminution of fair value of restructured advances, both in respect of standard assets and non-performing assets, made on account of reduction in rate of interest and/or re-scheduling of the repayment of principal amount are permitted to be netted from the relative assets.

In April 2010, amendments were made to the Securitization Companies and Reconstruction Companies (Reserve Bank) Guidelines, 2003, wherein the period for realization of assets acquired by securitization and reconstruction companies can be extended from five years to eight years. Securitization and reconstruction companies will have to invest and hold a minimum 5% stake of the outstanding amount of security receipts issued under each scheme until redemption.

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 up front. 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.

In October 2007, the Reserve Bank of India issued guidelines regarding valuation of non-performing assets being put up for sale. Banks have been instructed to work out the net present value of the estimated cash flows associated with the realizable value of the available asset net of the cost of realization. The sale price should not be lower than the net present value. The Reserve Bank of India has instructed banks to follow the same procedure in case of compromise settlements as well.

Directed Lending

Priority Sector Lending

Until year-end fiscal 2007 the Reserve Bank of India's directed lending norms required 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 were set at 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 at 10.0% of the net bank credit, and 1.0% of the previous year's total advances outstanding is required to be lent under the Differential Rate of Interest scheme. In April 2007, the Reserve Bank of India issued revised guidelines on lending to the priority sector. The Reserve Bank of India has linked the priority sector lending targets to adjusted net bank credit (net bank credit plus investments made by banks in non-statutory liquidity bonds included in the held to maturity category and excluding recapitalization bonds floated by the government) or credit equivalent amount of off-balance sheet exposure, whichever is higher as of previous fiscal years. Under the revised guidelines the limit on the housing loans eligible for priority sector lending has been increased from Rs. 1.5 million to Rs. 2 million per borrower. The guidelines have capped eligible direct agriculture finance to non-individuals (i.e., partnership firms, corporates and institutions) at Rs. 10 million per borrower. One-third of loans in excess of Rs. 10 million per borrower would also be considered as direct finance while the remaining two-thirds would constitute indirect finance. In December 2007, guidelines issued by the Reserve Bank of India permitted banks to classify loans granted to regional rural banks for on-lending to agriculture and allied activities as indirect finance.

In May 2007 the Reserve Bank of India issued revised guidelines on lending to the priority sector. According to the revised guidelines, loans given to people forming part of weaker sections of minority communities (as may be notified by the government of India from time to time) have been brought within the purview of priority sector loans. In May 2008, in order to ensure that the sub-target of lending to the weaker sections within priority sector is achieved, the Reserve Bank of India decided to take into account the shortfall in lending to weaker sections also, for the purpose of allocating amounts to the domestic banks for contribution to the Rural Infrastructure Development Fund maintained with the National Bank for Agriculture and Rural Development or funds with other financial institutions.

In addition, investments made by banks after year-end fiscal 2007 in bonds issued by the National Bank for Agriculture and the Rural Development in lieu of non-achievement of priority sector lending targets will no longer be considered as indirect finance. However, existing investments in such bonds would continue to be classified as indirect agriculture finance until fiscal 2010. In December 2008, loans granted by banks to housing finance companies for on-lending for housing up to Rs. 2 million of each loan were classified under priority sector.

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, we are required to maintain a total of 50.0% of our domestic adjusted net bank credit (net bank credit until year-end fiscal 2007) on the residual portion of our advances (i.e., the portion of our 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 our total adjusted net bank credit. 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 have a maturity period of up to seven years.

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. This target is in addition to the priority sector lending mandate of 40.0% of adjusted net bank credit. We provide 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. Effective May 29, 2008, the exposure limit in respect of single borrower was raised to 25.0% of capital funds in respect of oil companies who were issued oil bonds. 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.

- From July 1, 2008, exposures to public sector undertakings were exempted from group exposure limits.

- Capital funds are the total capital as defined under capital adequacy norms (tier I and tier II capital).

- Exposure shall include credit exposure (funded and non-funded credit limits) and investment exposure (including underwriting and similar commitments). 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. We have fixed a ceiling of 15.0% on our exposure to any one industry (other than retail loans) and monitor our exposures accordingly.

Limits on Exposure to Non-banking financial Companies

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 funds while exposure to a non-banking asset finance company has been restricted to 15.0% of the bank's capital funds. 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 infrastructure sectors. During the second half of fiscal 2009, due to the global financial crisis, the Reserve Bank of India provided additional liquidity support to non-banking financial companies. In October 2008, systemically important non-deposit taking non-banking financial companies were permitted to raise short-term foreign currency borrowings. In November 2008, a special repo facility was introduced allowing banks to avail additional liquidity support exclusively to meet the requirements of non-banking financial companies and mutual funds to the extent of 1.5% of the banks' net demand and time liabilities. This facility was available until the end of March 2010.

Regulations Relating to Investments and Capital Market Exposure Limits

Pursuant to the Reserve Bank of India guidelines, a bank's exposure to capital markets by way of investments in shares, convertible debentures, units of equity oriented mutual funds and loans to brokers, should not exceed 40% of its net worth on a stand-alone and consolidated 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.

In December 2007, the Reserve Bank of India issued a guideline stating that bank lending to mutual funds would only be towards the mutual funds' temporary liquidity requirements for a period not exceeding six months. Such lending would constitute a part of the bank's capital market exposure in case of loans extended to equity-linked mutual funds. The guideline became effective from January 1, 2010.

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 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 the 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 December 2007, the Reserve Bank of India permitted banks to invest in unrated bonds of corporates engaged in infrastructure activities within the ceiling of 10.0% for unlisted non-statutory liquidity ratio securities in order to encourage flow of credit to infrastructure sector.

The Reserve Bank of India requires 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 and group companies engaged in businesses not pertaining to financial services. 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 40.0% of consolidated net worth with a direct investment limit of 20.0% of consolidated net worth (applicable from fiscal 2008).

See "Business—Loan Portfolio—Loan Concentration".

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 us and our 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 so classified in accordance with the Reserve Bank of India guidelines; 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.

- The held to maturity category can include statutory liquidity ratio securities up to 25 percent of the demand and time liabilities and certain non-statutory liquidity ratio securities, including fresh re-capitalization bonds received from the government of India towards re-capitalization requirement and held in the investment portfolio, fresh investment in the equity of subsidiaries and joint ventures, Rural Infrastructure Development Fund/Small Industries Development Board of India/Rural Housing Development Fund deposits and investment in long-term bonds (with a minimum residual maturity of seven years) issued by companies engaged in infrastructure activities.

- Profit or loss on the sale of investments in both held for trading and available for sale categories is taken in the income statement. 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.

- 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 had to be done at the lower of acquisition cost, book value or market value on the date of transfer and the depreciation needed to be fully provided for.

Held to maturity securities need not be marked to market and are carried at acquisition cost, unless it is more than the face value, in which case the premium should be amortized over the period remaining to maturity.

Investments under available for sale category could be marked to market at quarterly intervals and held for trading securities valued at market at monthly intervals. 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, which 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 lower of: (a) the redemption value of the security receipts or pass through certificates; and (b) the net book value of the financial asset. However, if the instrument issued by securitization/asset reconstruction companies is limited to the actual realization of the financial asset assigned to the instrument, the net asset value should be obtained from the securitization/asset reconstruction companies for valuation of the investments.

In June 2008, the Reserve Bank of India issued guidelines for the valuation of non-statutory liquidity ratio securities, requiring banks to value such securities issued by the government of India at a spread of 25 basis points above the corresponding yield on government of India securities from an earlier spread of 50 basis points above the corresponding yield on government of India securities.

In April 2010, the Reserve Bank of India issued guidelines permitting banks to classify investments in long-term bonds issued by companies engaged in executing infrastructure projects and having a minimum residual maturity of seven years under the held to maturity category.

In August 2010, the Reserve Bank of India has issued guidelines with regards to sales and transfer of securities to/from the "held to maturity" category. If the value of sales and transfers exceed 5% of the book value of the investment held in the "held to maturity" category at the beginning of the year, the market value of the investment will have to be disclosed in the notes to accounts in the annual report along with the excess book value over market value for which provision was not made.

Limit on Transactions through Individual Brokers

Guidelines issued by the Reserve Bank of India require banks to appoint 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 appointed 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 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. In January 2007 the Reserve Bank of India permitted scheduled commercial banks and primary dealers to undertake short sale of central government dated securities, subject to the short position being covered within a maximum period of five trading days, including the day of trade. The short positions shall have to be covered only by outright purchase of an equivalent amount of the same security.

Introduction of Credit Default Swaps for Corporate Bonds

In August 2010, the Reserve Bank of India released a draft report on the operational framework for the introduction of credit default swaps. Key recommendations covered in the report include allowing credit default swaps only on the corporate bonds of rated companies and special purpose vehicles of rated infrastructure companies, settlement methods, managing associated risks and back-end infrastructure.

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 not 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 or financing our clients through them when we is not able or not permitted to do so our self. 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. Subsequently the Reserve Bank of India has clarified that investments in overseas banking subsidiaries may be excluded from this limit.

Holding Companies

In August 2007, the Reserve Bank of India issued a discussion paper on holding companies in banking groups, on which it has invited comments. In the discussion paper, the Reserve Bank of India has stated that there are advantages in having a financial or bank holding company structure, for which a proper legal framework needs to be created. However, it has stated that it would be desirable to avoid intermediate holding company structures. In November 2007, the Reserve Bank of India communicated that it would study the feedback received on the discussion paper from a legal and regulatory perspective before initiating further action. In the annual policy review for fiscal 2011, the Reserve Bank of India announced the formation of a working group with representatives from the government, various regulatory authorities and banks for drawing a roadmap for the introduction of holding company structure.

Benchmark Prime Lending Rate

In February 2010, the Reserve Bank of India released a draft circular recommending revision to the present benchmark prime lending rate system. A proposal to replace the benchmark prime lending rate with a 'Base Rate' system effective April 1, 2010 was made. The recommendations include calculating the base rate taking into consideration cost elements that can be clearly identified and are common across borrowers. In April 2010, the Reserve Bank of India released final guidelines on the base rate which replaced the benchmark prime lending rates effective July 1, 2010. The guidelines recommend calculating the base rate taking into consideration all elements of lending rates that are common across borrowers. Banks have been permitted to arrive at the base rate for a specific tenor that would be needed to be disclosed transparently. Further, banks have been permitted to determine their final lending rates on loans and advances with reference to the base rate and by including such other customer specific charges as they consider appropriate.

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 3.5% per annum on savings deposits. In its annual policy statement for fiscal 2010, the Reserve Bank of India prescribed calculating payment of interest on savings bank accounts on a daily product basis effective April 1, 2010 instead of on minimum balances held in the accounts during the period from the 10th day to the last day of each calendar month. In respect of savings and time deposits accepted from employees, we are 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 five years.

Starting April 1998, the Reserve Bank of India has permitted banks the flexibility to offer varying rates of interests on domestic deposits of the same maturity subject to the following conditions:

- Time deposits are of Rs. 2 million and above; and
- Interest on deposits is paid in accordance with the schedule of interest rates disclosed in advance by the bank and not pursuant to negotiation between the depositor and the bank.

We stipulate a minimum balance of Rs. 10,000 for a non-resident rupee savings deposit account. Until the year-end of fiscal 2007, interest rates on non-resident rupee term deposits of one to three years maturity were not permitted to exceed the LIBOR/SWAP rate plus 50 basis points for US dollar of corresponding maturity. Similarly interest rates on non-resident rupee savings deposits were 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. In the Annual Policy Statement for fiscal 2008 the Reserve Bank of India reduced the interest rates on non-resident foreign currency savings deposits by 50 basis points to LIBOR/SWAP minus 75 basis points and reduced the interest rate on non-resident rupee term deposits of one to three years by 50 basis points to the LIBOR/SWAP rate. The interest rate on non-resident savings deposits is at the rate applicable to domestic savings deposits.

With effect from November 2008, interest rates on non-resident rupee term deposits for one to three years were not permitted to exceed LIBOR/SWAP rate plus 175 basis points for US dollar of corresponding maturity. Interest rates on non-resident foreign currency deposits were raised by 75 basis points to LIBOR/SWAP plus 100 basis points.

In October 2007, the Reserve Bank of India instructed banks to discontinue special deposit schemes, with lock-in periods and other features that do not conform with deposit regulations of the Reserve Bank of India.

Regulations Relating to Knowing the Customer and Anti-Money Laundering

The Reserve Bank of India issued a notification in November 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 simplified the Know Your Customers procedure for opening accounts for those persons who intend to keep balances not exceeding Rs. 50,000 in all their accounts taken together and the total credit in all the accounts taken together is not expected to exceed Rs. 100,000 in a year in order to ensure that the implementation of the Know Your Customers guidelines do not result in the denial of the banking services to those who are financially or socially disadvantaged.

The 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 repricing 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 repriced 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.

In March 2007, the Reserve Bank of India issued guidelines regarding prudential limits for inter-bank liabilities. Inter-bank liabilities of a bank cannot exceed 200.0% of its net worth as on the last day of the previous fiscal year. Individual banks have been permitted, with the approval of their boards of directors, to fix a lower limit for their inter-bank liabilities, keeping in view their business model. However banks whose capital to risk assets ratio is at least 25% more than the minimum capital to risk assets ratio (currently 9%) i.e., 11.25% as on the last day of the previous fiscal year are allowed a higher limit with respect to inter-bank liability of up to 300.0% of their net worth. It may be noted that the limits prescribed above would include only fund-based inter-bank liabilities within India (including inter-bank liabilities in foreign currency to banks operating within India) and inter-bank liabilities outside India are excluded. The Reserve Bank of India's guidelines also stipulate that existing limits on call-money borrowing shall form a sub-limit of the above-mentioned limit.

In October 2007, the Reserve Bank of India issued amendments to guidelines on asset liability management to improve management of liquidity by banks and to provide a stimulus for development of the term-money market. The Reserve Bank of India has advised banks to adopt a more detailed approach to measurement of liquidity risk effective January 1, 2008 by splitting the first time period (1-14 days at present) in the statement of structural liquidity into three time periods—next day, 2-7 days and 8-14 days. The net cumulative negative liquidity mismatches during the next day, 2-7 days, 8-14 days and 15-28 days periods should not exceed 5.0%, 10.0%, 15.0% and 20.0% of the cumulative cash outflows in the respective time periods in order to recognize the cumulative impact on liquidity. Banks have also been permitted to undertake dynamic liquidity management and prepare the structural liquidity statement on a daily basis.

Foreign Currency Dealership

The Reserve Bank of India has granted us a full-fledged authorized dealers' license to deal in foreign exchange through our designated branches. Under this license, we have 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 have been 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. In the Annual Policy Statement for fiscal 2008 the Reserve Bank of India permitted banks and primary dealers to begin transactions in single-entity credit default swaps and has issued draft guidelines regarding these transactions. Further in April 2007 the Reserve Bank of India published comprehensive guidelines on derivatives. The prudential guidelines require any amount remaining unpaid for a period 90 days with respect to derivative transactions to be classified as non-performing assets.

In August 2008, the Reserve Bank of India issued guidelines permitting banks in the authorized dealer category to become trading or clearing members of the currency derivatives segment to be set up by stock exchanges recognized by Securities and Exchange Board of India, subject to their fulfilling the requirements of (i) minimum net worth of Rs. 5.0 billion, (ii) minimum capital adequacy ratio of 10%, (iii) net non-performing assets not exceeding 3% and (iv) net profit for the previous three years.

Our foreign exchange operations are subject to the guidelines specified by the Reserve Bank of India in the exchange control manual. As an authorized dealer, we are 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 us, 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.

In July 2010, the Reserve Bank of India permitted persons resident in India to enter into currency futures on stock exchanges.

Ownership Restrictions

The government of India regulates foreign ownership in Indian banks. The total foreign ownership in a private sector bank, like us, 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 (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;
- No single non-resident Indian can invest in excess of 5.0% of the paid-up capital of a private sector bank. The aggregate limit for investments by non-resident Indians is restricted to 10.0% of a private sector bank's paid-up capital and can be increased to 24.0% of the bank's paid-up capital by approval of its Board of Directors;
- Banks would be responsible for compliance with the "fit and proper" criteria for shareholders on an ongoing basis; and
- Banks where shareholders holdings are 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.

A legislation has been introduced in the Parliament to amend the Banking Regulation Act making the 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.

In February 2009, the government of India issued guidelines for calculation of total foreign investment, both direct and indirect, in Indian companies. Pursuant to this guideline, the foreign shareholding in an Indian company which is not majority owned and controlled by Indian shareholders will be taken into account in computing the foreign shareholding in investee companies of such Indian company (other than investee companies in the insurance sector, for which there are separate specific regulations). Since foreign ownership up to 74% is permitted in Indian private sector banks, such as us, this would impact investments made by Indian private sector banks, including us, and their subsidiaries, in other companies. This would also require assessment whether any of the Indian shareholders are to be reckoned for purposes of adherence to the foreign ownership limit of 74%. This does not however impact our investments in our insurance subsidiaries. We have sought clarification from the Department of Industrial Policy and Promotion on our status and that of our subsidiaries under these guidelines, which are awaited.

Restrictions on Payment of Dividends

The Banking Regulation Act requires banks to completely write off capitalized expenses and transfer 20.0% of the disclosed yearly profit to a reserve account before declaring a dividend.

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:

- The 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.
- The 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 regarding the declaration of dividends.

In case a bank does not meet the capital adequacy norms for two consecutive years, 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 and 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 approval. The central government may approve 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 financial Companies

In May 2005, the Reserve Bank of India issued guidelines on mergers between private sector banks and between banks and non-banking financial 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 approval 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 financial 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 financial 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.

Financial Stability and Development Council and Financial Sector Legislative Reforms Commission

In the Indian government's budget for fiscal 2011, the government announced plans to set up an apex-level body called the Financial Stability and Development Council. This would be an independent body that would oversee regulation and strengthen mechanisms for maintaining financial stability. As per functions identified in the budget, the institution would monitor macro-prudential supervision of the economy, the functioning of large financial conglomerates, address inter-regulatory coordination issues and focus on financial literacy and financial inclusion activities.

The government also proposed to set up a Financial Sector Legislative Reforms Commission to review the financial sector laws and bring them in line with the requirements of the sector. Further details on the creation and functions of these bodies are awaited.

In August 2010, the parliament passed The Securities and Insurance Laws (Amendment and Validation) Bill, 2010, which provides a mechanism to settle disputes between regulators. A committee chaired by the Finance Minister, with the governor of the Reserve Bank of India as vice chairperson and chairpersons of Securities and Exchange Board of India, Insurance Regulatory and Development Authority of India, Pension Fund Regulatory of India and Development Authority and secretaries of Department of Economic Affairs and Department of Financial Services will make the final decision on such disputes.

Deposit Insurance

Demand and time deposits of up to Rs. 100,000 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

Foreign exchange and cross border transactions undertaken by banks are subject to the provisions of the Foreign Exchange Management Act. We monitor transactions of customers based on pre-defined rules using a risk-based approach. The transaction monitoring system envisages identification of unusual transactions, undertaking due diligence on such transactions and, if confirmed as suspicious, reporting to the financial intelligence unit of the respective jurisdiction. Our transaction monitoring system is periodically reviewed and is being supplemented with appropriate anti-money laundering software technology solutions.

The Reserve Bank of India issued guidelines on external commercial borrowings through 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 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 (including integrated townships). In May 2007 the Reserve Bank of India decided to reduce the all-in-cost ceilings for External Commercial Borrowings from LIBOR plus 350 basis points to LIBOR plus 250 basis points (for External Commercial Borrowings with an average maturity period of over five years).

In August 2007, the Reserve Bank of India decided to modulate capital inflows coming in through external commercial borrowings. External commercial borrowings of more than US$ 20 million per company are now permitted only for foreign currency expenditure. In addition, external commercial borrowings of more than US$ 20 million need to be parked overseas until there is an actual requirement of funds. For rupee expenditure, external commercial borrowings are permitted only up to US$ 20 million with the prior approval of the Reserve Bank of India.

In May 2008, the Reserve Bank of India enhanced the external commercial borrowings limit from US$ 20 million to US$ 50 million for incurring rupee expenditure for permissible end uses. The Reserve Bank of India also permitted companies in the infrastructure sector to raise up to US$ 100 million through external commercial borrowings. Additionally, the all-in-cost ceilings for external commercial borrowings for borrowings were enhanced. For borrowings with average maturity of three to five years, the all-in-cost ceiling over six-month Libor was raised from 150 basis points to 200 basis points. Further the Reserve Bank of India decided to enhance the all-in-cost ceilings for External Commercial Borrowings from LIBOR plus 150 basis points to LIBOR plus 200 basis points (for External Commercial Borrowings with an average maturity period of up to five years) and from LIBOR plus 250 basis points to 350 basis points in the case of borrowings with a maturity period of over five years. In June 2008, the Reserve Bank of India permitted service sector companies, belonging to the hotels, hospitals and software sectors to avail external commercial borrowing up to US$ 100 million per financial year for import of capital goods under the automatic approval route. This was allowed to exceed US$ 100 million in August 2010.

In October 2008, the external commercial borrowings limit was enhanced further to US$ 500 million per borrower per year for rupee expenditure and/or foreign currency expenditure for permissible end uses. The Reserve Bank of India decided to enhance the all-in-cost ceilings for external commercial borrowings from LIBOR plus 200 basis points to LIBOR plus 300 basis points (for external commercial borrowings with an average maturity period of up to five years) and from LIBOR plus 350 basis points to 500 basis points in the case of borrowings with a maturity period of over five years. The all-in-cost ceiling was dispensed with until December 31, 2009 under the approval route. The ceilings were reintroduced from January 2010 at LIBOR plus 300 basis points for borrowing up to five years and LIBOR plus 500 basis points for borrowings over five years.

In March 2010, non-banking financial companies categorized as infrastructure finance companies were allowed to raise borrowings through external commercial borrowing and in May 2010 were permitted to borrow up to 50% of their owned funds under the automatic approval route.

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 submitted its report in July 2006.

In October 2006, the Reserve Bank of India proposed to allow banks to borrow funds from their overseas branches and correspondent banks (including borrowings for financing export credit, external commercial borrowings and overdrafts from their head office/nostro account) up to a limit of 50.0% of unimpaired tier I capital or US$ 10 million, whichever is higher, as against the earlier overall limit of 25.0% (excluding borrowings for financing export credit). 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%. In October 2008, banks were permitted to borrow funds from their overseas branches and correspondent banks to the extent of 50% of their unimpaired tier I capital or US$ 10 million, whichever is higher. Capital funds raised by issue of innovative perpetual debt instruments and other overseas borrowings with the specific approval of the Reserve Bank of India would continue to be outside the limit of 50.0%. In April 2007 the Reserve Bank of India issued a circular deferring the implementation of the above guidelines until further notice.

In July 2010, the Reserve Bank of India permitted take-out financing arrangement through external commercial borrowing, under the approval route, for refinancing rupee loans availed for new infrastructure projects, including sea port, airport, roads including bridges and the power sector.

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. Following the enactment of the Reserve Bank of India (Amendment) Bill 2006, the floor and ceiling rates (earlier 3.0% and 20.0% respectively) on the cash reserve ratio were removed.

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 increased the cash reserve ratio to 6.0% effective April 24, 2010. Effective April 13, 2007 the Reserve Bank of India does not pay any interest on cash reserve ratio balances.

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 had to be a minimum of 25.0% and a maximum of 40.0% pursuant to section 24 of the Banking Regulation Act. The Banking Regulation (Amendment) Bill, 2005 introduced in the Indian Parliament proposal to amend section 24 of the Banking Regulation Act to remove the minimum Statutory Liquidity Ratio stipulation of 25.0%, 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". The Reserve Bank of India required banking companies to maintain a liquidity ratio of 24.0%, effective from November 8, 2008 up to November 7, 2009. Beginning on November 7, 2009, banking companies are required to maintain a liquidity ratio of 25.0%.

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. 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 currently 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.

In 2006, the Indian Parliament 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. According to current provisions private sector banks in India are not permitted to issue preference shares. Legislation has been introduced in the Parliament to amend the Banking Regulation Act to allow all banks to issue redeemable and non-redeemable preference shares. Prior to the amalgamation, ICICI had preference share capital of Rs. 3.5 billion redeemable in 2018. The government of India, on the recommendation of the Reserve Bank of India, had granted us an exemption which allowed the inclusion of preference capital in our capital structure until the maturity of these shares. However, the Reserve Bank of India in March 2010, issued a guideline requiring all commercial banks to treat preference shares as borrowings.

A legislation has been introduced in the Indian parliament 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, as a pledgee, mortgagee or absolute owner in any company other than a subsidiary, 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 authorized 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 periodic 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. We are 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 us, 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 us to the Reserve Bank of India. The Reserve Bank of India also discusses the report with our management team including the Managing Director and CEO.

The Reserve Bank of India also conducts on-site supervision of selected branches with respect to their general operations and foreign exchange related transactions.

Appointment and Remuneration of the Chairman, Managing Director and Other Directors

We are required to obtain prior approval of the Reserve Bank of India before we appoint our chairman, managing director and any other executive directors and fix their remuneration. The Reserve Bank of India is authorized to remove an appointee to the posts of chairman, managing director and other executive directors on the grounds of public interest, interest of depositors or to ensure our proper management. Further, the Reserve Bank of India may order meetings of our board of directors to discuss any matter in relation to us, 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 our shareholders to elect new directors. We 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. Our directors must satisfy the requirements of these guidelines.

On July 2, 2010, the Reserve Bank of India issued, for comments and feedback, draft guidelines on the compensation of whole time directors/chief executive officers/risk takers and control function staff of private sector and local area banks and all foreign banks operating in India. The guidelines include principles for effective governance of compensation, alignment of compensation with risk taking and effective supervisory oversight and engagement by stakeholders.

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 banks are also required to disclose the penalty in their annual report. In April 2008, the Reserve Bank of India issued guidelines for banks engaging recovery agents. Under these guidelines, the Reserve Bank of India may ban banks from engaging recovery agents in a particular area, either jurisdictional or functional, for a limited period, in case of complaints received by the reserve bank regarding violation of the above guidelines and adoption of abusive practices followed by banks' recovery agents. In case of persistent breach of above guidelines, the Reserve Bank of India may consider extending the period of ban or the area of ban. Similar supervisory action could be attracted when the High Courts or the Supreme Court pass strictures or impose penalties against any bank or its directors/officers/agents with regard to policy, practice and procedure related to the recovery process.

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 the 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 our undertaking or property. Currently, all of our borrowings, including bonds, are unsecured.

Maintenance of Records

We are required to maintain books, records and registers. The Banking Regulation Act specifically requires banks to maintain books and records in a particular manner and file the same with the Registrar of Companies on a periodic basis. The provisions for production of documents and availability of records for inspection by shareholders as stipulated under the Companies Act and the rules thereunder would apply to us as in the case of any company. The Know Your Customer Guidelines framed by the Reserve Bank of India also provide for certain records to be updated every five years. As per the Prevention of Money Laundering Act records of a transaction are to be preserved for 10 years from the date of the transaction between a customer and a bank.

Secrecy Obligations

Our obligations relating to maintaining secrecy arise out of common law principles governing its relationship with our customers. We 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 we need to disclose information in its interest; and
- where disclosure is made with the express or implied consent of the customer.

We are 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 proceeding.

Regulations Governing Offshore Banking Units

The government and the 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. We have 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.
- The 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 the 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 on par with foreign offices.
- Invest in foreign currency denominated debt of Indian units: and
- Extend facilities to subsidiaries/units of Indian entities, located outside India.

Regulations Governing Use of Business Correspondents

For increasing the outreach of banking and ensuring greater financial inclusion, the Reserve Bank of India issued guidelines for the engagement of Business Correspondents by banks for providing banking and financial services in January 2006. Business Correspondents are agents engaged by banks to provide banking services at locations other than a bank branch or ATM. Business Correspondents enable a bank to expand its outreach and offer a limited range of banking services at low cost, as setting up a brick and mortar branch may not be viable in all areas. Banks are required to take full responsibility for the acts of omission and commission of the Business Correspondents that they engage and have to conduct due diligence for minimizing agency risks. When the Business Correspondent model was introduced in January 2006, the entities permitted to act as Business Correspondents included individuals such as retired bank employees, retired teachers, individual owners of kirana/medical/fair price shops and certain other individuals. The non-individual entities included Non-Government Organizations or Micro Finance Institutions set up under Societies/Trust Acts, societies registered under Mutually Aided Cooperative Societies Acts or the Cooperative Societies Acts of States, Section 25 companies and post offices. The Reserve Bank of India clarified in April 2008 that banks can engage Section 25 companies as Business Correspondents provided the companies are stand-alone entities or Section 25 companies in which non-banking financial companies, banks, telecom companies and other corporate entities or their holding companies do not have holdings in excess of 10%. On September 28, 2010, the Reserve Bank of India allowed banks to engage for-profit companies registered under the Indian Companies Act, 1956, excluding non-banking financial companies, as business correspondents in addition to the individuals/entities permitted earlier.

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. We and our subsidiaries and affiliates are subject to the Securities and Exchange Board of India regulations for public capital issuances, as well as underwriting, custodial, depositary participant, investment banking, brokering, asset management 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. We and our subsidiaries are required to adhere to codes of conduct applicable for these activities.

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, we are 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 Board of Industrial and Financial Reconstruction.

- 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.

Taxation

In its budget for fiscal 2010, the government of India proposed two major reforms to Indian tax laws, namely the introduction of the Direct Taxes Code, proposed to be effective April 1, 2012, and to the Goods and Services Tax which is proposed to be effective from April 1, 2011. Under the Goods and Services Tax reforms, it has been proposed to introduce unified goods and services tax structure to expand the tax base, rationalize the input tax credit and harmonize the current multiple taxation laws in India. The goods and services tax would replace the indirect taxes on goods and services such as central excise duty, service tax, customs duty, central sales tax, surcharge and cess currently being collected by the central and state governments.

The Direct Taxes Code Bill has been tabled in the Parliament in August 2010, which is proposed to come in effect from April 2012, if enacted. It seeks to consolidate and amend laws relating to all direct taxes like income tax, dividend distribution tax, fringe benefit tax and wealth tax and facilitate voluntary compliance.

Income Tax Benefits

As a banking company, the Bank is entitled to certain tax benefits under the Indian Income-tax Act including the following:

- We are allowed a deduction of up to 20% of the profits derived from the business of providing long-term finance (defined as loans and advances extended for a period of not less than five years) computed in the manner specified under the Indian Income Tax Act and carried to a Special Reserve account. The deduction is allowed subject to the aggregate of the amounts transferred to the Special Reserve Account for this purpose from time to time not exceeding twice our paid-up share capital and general reserves. The amount withdrawn from such a Special Reserve Account would be chargeable to income tax in the year of withdrawal, in accordance with the provisions of the Income-tax Act.

- We are entitled to a tax deduction on the provisioning towards bad and doubtful debts equal to 7.5% of our 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 our rural branches computed in the manner prescribed. We have 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.

- We are entitled to a tax deduction, for income from an offshore banking unit in a special economic zone, at the rate of 100.0% 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 Offshore Banking Unit in Santacruz Electronics Export Processing Zone, Mumbai and 50.0% 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, we are eligible to issue tax saving bonds approved in accordance with and subject to the provisions of the Indian Income-tax Act and are also eligible to issue zero coupon bonds in accordance with the applicable guidelines.

For income tax purposes, our 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, our subsidiaries 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 laws and the foreign direct investment policy and has not yet been implemented. In fiscal 2007, the general insurance industry in India was de-tariffed whereby insurance premiums were freed from price controls, resulting in a significant reduction in premium rates and negative impact on growth in the general insurance sector. In July 2009, the Insurance Regulatory and Development Authority issued guidelines introducing a cap on charges levied on customers investing in equity linked life insurance policies. Further, in August 2009, Insurance Regulatory and Development Authority clarified that mortality and morbidity charges are not a part of the cap and removed any policy surrender charges from the fifth policy year onwards for unit- linked products. In September 2009, the Insurance Regulatory and Development Authority issued guidelines restricting the transfer of agency/corporate agency from one insurer to another. In September 2009, the Committee on Investor Awareness and Protection, constituted by the government of India for developing minimum common standards for financial advisers and financial education, submitted its draft report for public comments. The recommendations include that agent commissions on insurance products be paid directly by the customer and not by the insurer and setting up of an organization to promote financial literacy and evolve a common standard for financial advisers.

In July 2009, the Insurance Regulatory and Development Authority introduced a cap on charges of unit-linked insurance products. The difference between gross and net yields were capped at 300 basis points for products with a tenor of less than 10 years and 225 basis points for products with a tenor more than 10 years. The fund management charges within these charges were capped at 150 basis points and 125 basis products with tenors of less than 10 years and more than 10 years respectively. The life insurance industry will also have to incorporate specific changes in its product offering as mandated by the Insurance Regulatory Development Authority, with effect from September 1, 2010. The changes specified by the Insurance Regulatory and Development Authority include a cap on surrender charges, an increase in the minimum premium paying term and minimum guaranteed returns on pension products. The minimum guaranteed return of 4.5% on pension products is applicable up to year-end fiscal 2011. From fiscal 2012 the guaranteed return will be 50 basis points above the average reverse repo rate subject to a maximum of 6% and a minimum of 3%. On October 21, 2010, the Insurance Regulatory and Development Authority ordered that insurers can not sell universal life insurance products until guidelines on regulation of such products are finalized. See also "Risk Factors—Risks Relating to Our Business—The regulatory environment for financial institutions is facing unprecedented change in the post-financial crisis environment".

Regulations Governing Mutual Funds

ICICI Prudential Asset Management Company, our asset management subsidiary, is subject to provisions of the Securities and Exchange Board of India (Mutual Fund) Regulations 1996, as amended from time to time. These regulations regulate and govern, among other things, registration as a mutual fund, restrictions on business activities of an asset management company, process for launching of mutual fund schemes, investment objectives and valuation policies and pricing. In June 2009, the Securities and Exchange Board of India issued guidelines stating that mutual funds could not charge any entry load to investors investing in mutual fund schemes. In August 2009, the Securities and Exchange Board of India issued guidelines directing mutual funds to ensure parity of exit loads charged across various unit holder groups.

In February 2010, the Securities and Exchange Board of India introduced guidelines for the valuation of money market and debt securities with a view to ensuring that the value of money market and debt securities in the portfolio of mutual fund schemes reflect the current market scenario. The valuation guidelines are effective from August 1, 2010.

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 PLC is authorized and regulated by the FSA, which granted its application under Part IV of the Financial Services and Markets Act, 2000. The UK subsidiary has established a branch in Antwerp, Belgium under the European Union Passporting arrangements and also opened a branch in Frankfurt, Germany. The UK subsidiary implemented the Basel II capital adequacy framework for calculating minimum capital requirements effective January 1, 2008.

Our wholly owned subsidiary in Canada, ICICI Bank Canada (a Schedule II Bank in Canada), is regulated by the Office of the Superintendent of Financial Institutions, which provided it with an order to commence and carry on business, on November 25, 2003. ICICI Bank Canada's wholly owned subsidiary, ICICI Wealth Management Inc., is regulated by Ontario Securities Commission, which licensed it as a Limited Market Dealer, on March 2, 2007. The Canadian subsidiary adopted the capital adequacy framework (Basel II) as required by the Office of the Superintendent of Financial Institutions effective January 1, 2008.

Our wholly-owned subsidiary in Russia, ICICI Bank Eurasia LLC, is regulated by the Central Bank of the Russian Federation. The capital requirements prescribed by the Central Bank of Russia, which are based on Basel I, are applicable for ICICI Bank Eurasia LLC.

Offshore Branches

The Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000, as amended, and rules issued thereunder, permit a branch located outside India of a bank incorporated or constituted in India to borrow in foreign currency in the normal course of its banking business outside India subject to the directions or guidelines issued by the Reserve Bank of India from time to time, and the Regulatory Authority of the country where the branch is located.

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 and institutional banking, private banking and treasury-related activities. On March 22, 2010, the Monetary Authority of Singapore granted the Singapore branch Qualified Full Banking Privileges. 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 branch in Hong Kong is regulated by the Hong Kong Monetary Authority and is permitted to undertake banking business in that jurisdiction with certain restrictions. Our branch in Sri Lanka is regulated by the Central Bank of Sri Lanka. Our branch in the Dubai International Financial Center (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. In addition we also have an Offshore Banking Unit located in the Santacruz Electronic Exports Promotion Zone, Mumbai. The Qatar Financial Center Regulatory Authority regulates our branch in Qatar. Our branch in New York is regulated by the State of New York Banking Department, the Federal Reserve Board and the Office of the Comptroller of the Currency.

Representative Offices

Our representative office in Dubai and Abu Dhabi in the 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. The 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

The following description is a summary of the material provisions of the notes and the indenture. This summary is not complete and is subject to, and qualified in its entirety by reference to, the provisions of the indenture and the notes. Capitalized terms used in the following summary and not otherwise defined herein shall have the meanings ascribed to them in the indenture. You may obtain copies of the indenture and specimen notes upon request to the trustee at the address set forth under "—The Trustee" below.

General

We will issue the notes under an indenture to be dated on or about November 16, 2010, between us and The Bank of New York Mellon, as trustee.

The notes will have the following basic terms:

- The notes issued in this offering will be in an aggregate principal amount of US$1,000,000,000. The principal amount of the notes will be payable in full in a single payment on November 16, 2020.
- The regular record dates for the notes will be the day that is fifteen calendar days prior to each interest payment date for the respective notes.

The notes will bear interest at a fixed rate of 5.75% per annum, from November 16, 2010. Interest on the notes will be paid semi-annually in arrears on May 16 and November 16 of each year, commencing on May 16, 2011, to the holders of notes registered as such as of the close of business on May 2 and November 2 immediately preceding the relevant interest payment date. Interest on the notes will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

In the event that any payments of interest or otherwise on the notes are made through India, such payments are subject to approval by the Reserve Bank of India.

Ranking

The notes will be our general unsecured and unsubordinated obligations, and will rank pari passu amongst themselves and equal in right of payment with all of our existing and future unsecured and unsubordinated obligations that are not either (i) required to be preferred by applicable law or (ii) by their terms expressly subordinated in right of payment to the notes.

Listing

We have received approval in-principle for the listing of the notes on the Singapore Exchange. The notes will be traded on the Singapore Exchange in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies) for so long as the notes are listed on the Singapore Exchange and the rules of that exchange so require.

Payments of Principal and Interest

Payment of the principal of the notes, together with accrued and unpaid interest thereon, will be made on the payment date therefor to the person in whose name the note is registered as of the close of business, New York City time, on the record date prior to that payment date. The notes do not need to be surrendered to receive payment of principal, interest or other amounts, except in connection with a redemption or in connection with the final payment of principal on the relevant maturity date.

Payments of principal and interest shall be made by depositing immediately available funds in US dollars into an account maintained by, or on behalf of, the trustee, acting on behalf of the noteholders.

The notes will initially be represented by one or more global notes. Payments of principal and interest on the global notes will be made to DTC, Euroclear or Clearstream, Luxembourg, as registered holder thereof. It is expected that such registered holder of global notes will receive the funds for distribution to the holders of beneficial interests in the global notes. Neither ICICI Bank, the trustee nor any paying agent shall have any responsibility or liability for any of the records of, or payments made by, DTC, Euroclear or Clearstream, Luxembourg. See "Form, Denomination and Transfer".

If any date for a payment of principal or interest or redemption is not a business day in a city where payment is made or in the city of any paying agent, payment will be made on the next business day in that city unless it would thereby fall into the next calendar month, in which case payment will be brought forward to the preceding business day in such city. The amount of interest or other payment shall not be altered as a result of such arrangements.

Additional Amounts

We will make all payments of principal and interest on the notes without withholding or deducting any present or future taxes, penalties, fines, duties, assessments or other governmental charges of any nature (which we refer to collectively as "taxes") imposed by India or Hong Kong, including any political subdivision or governmental authority of those jurisdictions having power to tax (each, a "Taxing Jurisdiction") unless such taxes are required by law to be deducted or witheld. If we are required by law to withhold or deduct amounts for any such taxes, except as provided below, we will pay the noteholders or the trustee, as the case may be, any additional amounts necessary so that they receive the same amounts as they would have received without such withholding or deduction. We will not, however, pay such additional amounts in connection with any taxes imposed due to any of the following:

- the noteholder or beneficial owner having or having had some connection with a Taxing Jurisdiction other than merely holding the notes, receiving principal or 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);

- any tax imposed on, or measured by, net income of the noteholder or beneficial owner;

- the noteholder's or 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 noteholder or beneficial owner is able to comply with those requirements without undue hardship and (3) we have given noteholders at least 30 days' prior written notice before any such withholding or deduction that they will be required to comply with such requirements;

- the noteholder's failure to surrender (where surrender is required) its note within 30 days after we have made available to the noteholder a payment of principal or interest, provided that we will pay additional amounts to which a noteholder would have been entitled had such note been surrendered on any day (including the last day) within such 30-day period;

- any estate, inheritance, gift, transfer, capital gains, excise, value added, use or sales taxes or any similar taxes, assessments or other governmental charges;

- where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to 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;

- where the noteholder or beneficial owner 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

- any combination of the above items.

Nor will additional amounts be paid with respect to any payment on a note to a noteholder 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 noteholder.

Any additional amounts paid by us on the notes through India would be subject to approval from the Reserve Bank of India.

We will make any required withholding or deduction and remit the full amount withheld or deducted to the relevant taxing authority in accordance with applicable law. We will furnish to the trustee, within 30 days after the date of payment of any such taxes, certified copies of tax receipts or other documentation reasonably satisfactory to the trustee evidencing that payment. We will use reasonable efforts to attach to each certified copy a certificate stating (x) that the amount of taxes evidenced by the certified copy was paid in connection with payments on the notes then outstanding upon which such taxes were due and (y) the amount of such withholding taxes paid per US$1,000 principal amount of the notes upon which such taxes were paid. At least 10 business days prior to each date on which any payment under or with respect to the notes is due and payable, if we are obligated to pay additional amounts with respect to such payment, we will deliver to the trustee an officer's certificate stating that additional amounts will be payable, the amounts so payable and setting forth such other information as the trustee shall reasonably require for tax purposes.

We 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 noteholders for any such taxes paid by the noteholders, 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.

All references to principal, interest or other amounts payable on the notes in this offering memorandum are deemed to include any additional amounts payable by us with respect thereto. These obligations will survive any termination, defeasance or discharge of the notes and the indenture.

If we are required at any time to pay additional amounts to noteholders pursuant to the terms of the notes and the indenture, we will use our reasonable efforts to obtain an exemption from the payment of (or otherwise avoid the obligation to pay) the taxes which have resulted in the requirement that we pay additional amounts.

Certain Covenants

For so long as any of the notes are outstanding and any amount remains unpaid under the indenture and the notes, we will comply with the terms of the covenants described below, among others:

Performance of Obligations Under the Notes and the Indenture

We will pay all amounts owed by us under the terms of the notes and the indenture.

Maintenance of Approvals

We will obtain and maintain in full force and effect all governmental approvals, consents or licenses of any governmental authority under the laws of Hong Kong or India necessary for the conduct of our business or the consummation of the transactions contemplated herein; provided that it is acknowledged that the granting of such approvals, consents or licenses may be within the discretion of such governmental authority.

Maintenance of Books and Records

We will keep proper books of record and account and maintain proper accounting, management information and control systems in accordance with generally accepted accounting principles in India and prudential guidelines stipulated by the Reserve Bank of India and, where applicable, the Hong Kong Monetary Authority and all other applicable laws and regulations.

Maintenance of Office or Agency

We will maintain an office or agency in the Borough of Manhattan, The City of New York where notices to and demands upon us in respect of the indenture and the notes may be served. Initially this office will be at our New York representative office located at ICICI Bank Limited, New York Representative Office, 500 Fifth Avenue, Suite 2830, New York, New York 10110, and we will agree not to change the designation of such office without prior notice to the trustee and designation of a replacement office.

Appointment to Fill a Vacancy in the Office of the Trustee

Whenever necessary to avoid or fill a vacancy in the office of the trustee, we will appoint a successor trustee so that there will at all times be a trustee with respect to the notes.

Maintenance of Existence and Conduct of Business

Subject to the covenant described in "—Consolidation, Merger, Conveyance or Transfer", we will do all things necessary to preserve and keep in full force and effect our corporate existence and rights with respect to our corporate existence; provided, however, that we will not be required to preserve any such right if we determine that the preservation thereof is no longer desirable in the conduct of our business and that the loss thereof is not disadvantageous in any material respect to the noteholders.

Notice of Certain Events

Upon the occurrence of any event of default under the indenture, we will give written notice to the trustee promptly, and in any event within ten days after we become aware of such occurrence.

Provision of Information

If the trustee has received written notice of an event of default, the trustee will give notice of that event to the noteholders within 90 days after the trustee has received written notice thereof. The trustee may withhold notice to the noteholders of such an event (except the non-payment of principal or interest) if its board of directors or a committee of its trust officers determines in good faith that withholding notice is in the interests of the noteholders.

We will provide to the trustee, in English or accompanied by a certified English translation thereof:

- within 90 days after the end of each fiscal quarter (other than the fourth quarters), our unaudited and unconsolidated balance sheet and statement of income for the quarter then ended if required to be published under Indian law, rules or regulations;
- within 120 days after the end of the first half of the fiscal year, our audited and unconsolidated balance sheet and statement of income for the six months then ended if required to be published under Indian law, rules or regulations;
- within 120 days after the end of each fiscal year, our audited unconsolidated balance sheet and statement of income for the year then ended as required to be published under Indian law, rules or regulations; and
- such other publicly available financial data about us or our Hong Kong branch as the trustee may reasonably request.

Compliance Certificate

We will provide to the trustee, together with each of the financial statements described above, a compliance certificate signed by one of our directors or executive officers stating that no event of default has occurred during that period or, if one or more events have actually occurred, specifying those events and what actions, if any, have been taken by us upon becoming aware of the occurrence and will be taken by us with respect to each such event.

Reports to Holders

While any notes remain outstanding, we shall, during any period in which we are not subject to Section 13 or 15(d) of the Exchange Act or exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, make available to any qualified institutional buyer (as defined in Rule 144A under the Securities Act) who is a holder and any prospective purchaser of a note who is a qualified institutional buyer (as so defined) designated by such holder, upon the request of such holder or prospective purchaser, the information concerning us required to be provided to such holder or prospective purchaser by Rule 144A(d)(4) under the Securities Act.

Further Actions

We will, at our own cost and expense, take any action at any time required, as necessary or as requested by the trustee, in accordance with applicable laws and regulations, to be taken in order:

- to enable us lawfully to enter into, exercise our rights and perform our obligations under the notes and the indenture;
- to ensure that our obligations under the notes and the indenture are legally binding and enforceable;

- to make the notes and the indenture admissible in evidence in the courts of the State of New York, India or Hong Kong; and
- to enable the trustee to exercise and enforce its rights under and carry out the terms, provisions and purposes of the indenture.

Negative Pledge

So long as any of the notes remain outstanding (within the meaning of the indenture), we will not create or permit to be outstanding a Security Interest to secure any External Obligations without according to the notes, to the satisfaction of the trustee, the same security or such other security as the trustee, in its absolute discretion, shall deem not materially less beneficial to the interests of the noteholders or as shall be approved by noteholders holding no less than a majority of the aggregate principal amount of the notes then outstanding; provided, however, that the foregoing shall not apply to:

(1) any Security Interest in existence on the date of the issuance of the notes;

(2) any Security Interest granted by us in favor of a Governmental Agency to secure any External Obligations issued to such Governmental Agency for the purposes of implementing a developmental policy of a Governmental Agency, pursuant to a law or by contract;

(3) any Security Interest on property existing at the time of acquisition of such property by us provided such Security Interest was not created in contemplation of such acquisition or in connection therewith and the principal, capital or nominal amount of the indebtedness secured by such Security Interest outstanding as at the time of such acquisition is not increased and is repaid in accordance with its original schedule of maturity; and

(4) any Security Interest arising in the ordinary course of our banking arrangements or by operation of law in our ordinary course of trading or banking transactions or in the ordinary course of any transaction to which we are a party in our capacity as a member of any applicable clearing system. Notwithstanding anything to the contrary in this restriction, any credit enhancement, including a guarantee (but not including a Security Interest), provided by us in connection with a Qualified Receivables Transaction (executed pursuant to applicable laws and regulations) shall not be subject to this negative pledge.

As used herein, the following terms have the respective meanings set forth below:

"External Obligations" means all of our obligations, including guarantees, in respect of bonds, debentures, notes or other debt securities which by their terms (i) are payable in a currency other than Rupees or are denominated in Rupees and more than 50% of the aggregate principal amount of which is initially distributed outside of India by or with our authorization; and (ii) which are quoted, listed or ordinarily dealt in on any stock exchange or over-the-counter or other securities market outside India.

"Security Interest" means any mortgage, charge, pledge or other security interest upon the whole or any part of our properties, assets or revenues.

"Governmental Agency" means the government of India or any state or political sub-division or department thereof or any regulatory agency, body or authority thereof or a body corporate owned and controlled by any of them.

"Qualified Receivables Transaction" means any transaction or series of transactions entered into by us pursuant to which we (i) sell, convey or otherwise transfer or (ii) grant a participation or beneficial interest in, our receivables and any assets related thereto.

Consolidation, Merger, Conveyance or Transfer

We will not, without the consent of noteholders holding no less than 66 2/3% in aggregate principal amount of the notes outstanding, consolidate with or merge into any other person or convey or transfer substantially all of our properties and assets to any other person unless thereafter:

- the person formed by such consolidation or into which we are merged, or the person which acquires all or substantially all of our properties and assets, expressly assumes the due and punctual payment of the principal of and interest on the notes and the performance or observance of every covenant of the indenture on our part to be performed or observed (including, if such person is not organized in or a resident of India or Hong Kong for tax purposes, substituting such person's jurisdiction of organization or residence for tax purposes for India or Hong Kong where applicable, including for the obligation to pay additional amounts and the right to redeem the notes as described in "—Redemption—Optional Tax Redemption");

- immediately after giving effect to such transaction, no event of default has occurred and is continuing and no covenant or agreement in the indenture has been materially breached; and
- the person formed by such consolidation or into which we are merged, or the person which acquires all or substantially all of our 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 us, our assets or properties.

Redemption

Redemption at Maturity

Unless previously redeemed, or purchased and cancelled, the notes shall be redeemed at their principal amount in US dollars on November 16, 2020. The redemption price payable at such time shall be the original principal amount of the notes plus accrued and unpaid interest thereon, and all other amounts due and payable under the terms of the notes and the indenture.

Optional Redemption

The notes will be redeemable as a whole or in part, at our option at any time, at the redemption price equal to the greater of (i) 100% of the principal amount of such notes and (ii) the sum of the present values of the remaining scheduled payments of principal and interest (exclusive of interest accrued to the date of redemption) discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 50 basis points, plus in each case accrued interest thereon to the date of redemption.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity or interpolated (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

"Comparable Treasury Issue" means the United States Treasury security or securities selected by an Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of such notes.

"Independent Investment Banker" means one of the Reference Treasury Dealers appointed by the trustee after consultation with us.

"Comparable Treasury Price" means, with respect to any redemption date, (A) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (B) if the trustee obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"Reference Treasury Dealer Quotations" means, with respect to such Reference Treasury Dealer and any redemption date, the average, as determined by the trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the trustee by such Reference Treasury Dealer at 3:30 p.m. New York time on the third business day preceding such redemption date.

"Reference Treasury Dealer" means each of Barclays Bank PLC, Citigroup Global Markets Limited and Deutsche Bank AG, Singapore Branch or their affiliates which are primary US Government securities dealers, and their respective successors; provided, however, that if any of the foregoing or their affiliates shall cease to be a primary US Government securities dealer in The City of New York (a "Primary Treasury Dealer"), we shall substitute therefor another Primary Treasury Dealer.

Notice of any redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each holder of notes to be redeemed.

Unless we default in payment of the redemption price, on and after the redemption date interest will cease to accrue on the notes, or portions thereof called for redemption.

Optional Tax Redemption

The notes may be redeemed at any time at our option, in whole, but not in part, upon not less than 30 nor more than 60 days prior notice to the holders of such notes, at a redemption price equal to 100% of the principal amount of the notes then outstanding plus accrued and unpaid interest on the principal amount being redeemed to (but excluding) the redemption date, 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 with respect to India, such change or amendment must increase the rate of withholding above the current 20% (plus applicable surcharge and cess)), which change or amendment becomes effective on or after the date of this offering memorandum (or, if the person formed by a consolidation, merger, conveyance or transfer is not organized or resident in India or Hong Kong for tax purposes, on or after the date of such consolidation, merger, conveyance or transfer), we (or our successor) are or would be obligated on the next succeeding due date for a payment with respect to the notes to pay additional amounts and (ii) such obligation cannot be avoided by us taking reasonable measures available to us, which may include changing the jurisdiction from which or through which payments are made. Prior to any redemption of notes, the indenture requires that we 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 we are 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 we would be obligated to pay additional amounts if a payment in respect of the notes were then due.

Cancellation

Any notes redeemed by us will be immediately canceled and may not be reissued or resold.

Purchases of Notes by the Issuer

We and each of our subsidiaries may at any time purchase any notes in the open market or otherwise at any price. In determining whether noteholders holding any requisite principal amount of notes have given any request, demand, authorization, direction, notice, consent or waiver under the indenture, notes owned by us or our affiliates will be deemed not outstanding for purposes thereof. We may at any time deliver to the trustee for cancellation any notes previously authenticated and delivered pursuant to the indenture which we may have acquired in any manner whatsoever.

Events of Default

The following events will each be an event of default under the terms of the notes and the indenture:

- we fail to make any principal payment on the notes, whether on the maturity date, upon redemption or otherwise;
- we fail to make any interest payment or any payment of additional amounts in accordance with the terms of the notes and the indenture and this non-payment continues for 15 days;
- we fail to perform any other covenant in the indenture and this failure to perform continues for 60 days after written notice as provided in the indenture;
- a court or agency or supervisory authority in India institutes a proceeding under any bankruptcy, insolvency, rehabilitation, readjustment of debt, marshalling of assets and liabilities or similar law, or for our winding up or the liquidation of our affairs, or adjudging us bankrupt or insolvent, and such proceedings have not been vacated or have remained in force undischarged or unstayed for 60 days;

- (i) a court or agency or supervisory authority in Hong Kong institutes a proceeding under any bankruptcy, insolvency, rehabilitation, readjustment of debt, marshalling of assets and liabilities or similar law, or for our winding up or the liquidation of our affairs, or adjudging us bankrupt or insolvent; or (ii) a court or agency or supervisory authority in Hong Kong or India (1) enters a decree or order for relief under any bankruptcy, insolvency, rehabilitation, readjustment of debt, marshalling of assets and liabilities or similar law, or for our winding up or the liquidation of our affairs, or adjudging us bankrupt or insolvent, (2) enters a decree or order approving as properly filed a petition seeking our reorganization, arrangement, adjustment or composition under any applicable law except a reorganization permitted under the indenture or (3) enters a decree or order appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official for us or all or substantially all our assets; or (iii) any event occurs that under the laws of Hong Kong or India has an analogous effect to any of the foregoing events; and provided that, in each case, those proceedings, decree or order have not been vacated or have remained in force undischarged or unstayed for 60 days;

- we commence a voluntary case or proceeding under any applicable bankruptcy, insolvency, reorganization or other similar law or any other case or proceeding to be adjudicated bankrupt or insolvent, or we consent by answer or otherwise to the entry of a decree or order for relief in an involuntary case or proceeding under any applicable bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against us or our dissolution or any event occurs that under the laws of Hong Kong or India has an analogous effect to any of the foregoing events;

- any default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any of our Indebtedness, whether such Indebtedness now exists, or is created after the date of the indenture, if that default:

  (1) is caused by a failure to pay principal of, or interest or premium, if any, on, such Indebtedness within the grace period provided in such Indebtedness on the date of such default, or a Payment Default; or

  (2) results in the principal amount of such Indebtedness being deemed to be or otherwise becomes due and payable prior to its express maturity and such default continues for 60 days after written notice as provided in the indenture,

  and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates US$25,000,000 (or its equivalent in another currency) or more;

- distress, attachment, execution or other legal process is levied or enforced upon or against any material part of our property, assets or revenues and is not either discharged or stayed within 120 days (or such longer period as the trustee may agree in light of the jurisdiction concerned), unless, and for so long as, the trustee is satisfied that such levy or enforcement is being contested in good faith and by appropriate proceedings;

- an encumbrancer takes possession or an administrative or other receiver, manager or other similar person is appointed over, or an attachment order is issued in respect of, the whole or any material part of our undertaking, property, assets or revenues and in any such case possession or appointment is not stayed or terminated or the debt on account of which such possession was taken or appointment was made is not discharged or satisfied within 120 days (or such longer period as the trustee may agree in light of the jurisdiction concerned) of such possession, appointment or the issue of such order; and

- any governmental authority or agency condemns, seizes, compulsorily purchases or expropriates all or any material part of our assets or shares without fair compensation.

As used herein, the following terms have the respective meanings set forth below:

"GAAP" means generally accepted accounting principles set forth in the relevant opinions and pronouncements in the relevant jurisdiction or in such other statements by such other entity as have been approved by a significant segment of the accounting profession in the relevant jurisdiction, which are in effect on the date of the indenture.

"Hedging Obligations" means, with respect to any specified Person, the obligations of such Person under:

(a) interest rate swap agreements (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements;

(b) other agreements or arrangements designed to manage interest rates or interest rate risk; and

(c) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates or commodity prices.

"Indebtedness" means, with respect to any specified Person, any indebtedness of such Person (excluding accrued expenses and trade payables), whether or not contingent:

(a) in respect of borrowed money (excluding customer deposits);

(b) evidenced by bonds, notes, debentures or similar instruments or letters of credit;

(c) in respect of banker's acceptances;

(d) in respect of the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with Indian GAAP, be treated as a finance or capital lease;

(e) representing the balance deferred and unpaid of the purchase price of any property or services due more than six months after such property is acquired or such services are completed; or

(f) in respect of any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account), if and to the extent any of the preceding items (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet of the specified Person prepared in accordance with Indian GAAP.

In addition, the term "Indebtedness" with respect to any specified Person includes, to the extent not otherwise included, any Indebtedness of others guaranteed by such specified Person.

"Person" means an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture or any nation or government, any state, province or other political subdivision thereof, any central bank (or similar monetary or regulatory authority) thereof, and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

Upon the occurrence and continuation of an event of default described in the fifth or sixth bullet point above, the principal of and accrued and unpaid interest on all the notes will become immediately due and payable without any declaration or other act on the part of the trustee or any noteholders. Upon the occurrence and continuation of any other events of default, the trustee shall, if so requested in writing by the holders of not less than 33 1/3% in aggregate principal amount of the outstanding notes, give notice in writing to us that the principal amount of and accrued and unpaid interest on each note is, and shall thereupon immediately become, due and payable.

In the context of an Event of Default, "continuing" means that where the underlying circumstances which caused that Event of Default are incapable of remedy when viewed objectively, that Event of Default is continuing, unless and until it has been expressly waived in writing by the trustee and any conditions of such waiver have all been fulfilled to the satisfaction of the trustee; or that in any other case, that Event of Default is continuing unless and until either: it has been expressly waived in writing by the trustee and any conditions of such waiver have all been fulfilled to the satisfaction of the trustee; or the underlying circumstances which caused that Event of Default have been remedied to the satisfaction of the trustee and the resulting position is what it would have been if such Event of Default had not occurred (so that, for example, in the case of the late delivery of a document which is subsequently satisfactorily delivered, or the withdrawal or settlement of a claim the existence or pursuance of which constituted an Event of Default, that Event of Default is not continuing once the underlying circumstances no longer apply).

In addition, if an event of default occurs or if we breach any covenant or warranty under the indenture or the notes, the trustee may pursue any available remedy to enforce any provision of the notes or the indenture.

The holders of a majority in aggregate principal amount of the outstanding notes may rescind a declaration of acceleration if an amount has been paid to or deposited with the trustee sufficient to pay the amounts set forth in the applicable provisions of the indenture and all events of default, other than the failure to pay principal or interest due have been cured or waived.

The holders of a majority in aggregate principal amount of the outstanding notes will have the right to 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. Subject to the provisions of the indenture relating to the trustee's duties, the trustee will be under no obligation to exercise any of its rights and powers under the indenture unless it has been offered an indemnity and/or security to its satisfaction against the costs, expenses and liabilities it may properly incur.

No noteholder will have any right to institute any proceeding with respect to the indenture or the notes or for any remedy thereunder unless the noteholder has previously given written notice to the trustee of a continuing event of default under the notes or the continuing breach of a covenant contained in the indenture, the holders of not less than 33 1/3% in aggregate principal amount of the outstanding notes have made a written request to the trustee to institute proceedings in respect of the event of default or breach in its own name as trustee, the holders of the notes have offered to the trustee indemnity and/or security satisfactory to it, the trustee for 60 days thereafter has failed to institute any such proceeding and no direction inconsistent with that request has been given to the trustee during that 60-day period by the holders of a majority in aggregate principal amount of the outstanding notes. However, the right of any noteholder to institute a suit for the enforcement of the payment of principal or interest on the due date therefor may not be impaired without its consent.

The holders of a majority in aggregate principal amount of the outstanding notes may waive any past default under the indenture except an uncured default in the payment of principal of or interest on the notes or an uncured default relating to a covenant or provision of the indenture that cannot be modified or amended without the consent of each affected noteholder.

Further Issues

We shall be entitled to issue additional notes under the indenture which shall have identical terms as the notes, other than with respect to the date of issuance, issue price and the amount of the first interest payment and for the interest paid on the notes prior to the issuance of the additional notes. We may consolidate such additional notes with the outstanding notes to form a single series; provided that such additional notes and the outstanding notes are fungible for US federal income tax purposes. Any further notes forming a single series with the outstanding notes shall be treated as a single class for all purposes under the indenture, including without limitation, waiver, amendments, redemptions and offers to purchase.

Modification of the Indenture

We and the trustee may, without the consent of the holders of the notes, modify the indenture for certain specific purposes, including, among other things, curing ambiguities, defects or inconsistencies or including any other provisions with respect to matters or questions arising under the indenture, so long as that correction or added provision will not adversely affect the interests of the noteholders in any material respect. In addition, we and the trustee may modify and amend the indenture with the consent of the holders of a majority in aggregate principal amount then outstanding of the notes thereunder. However, no modification or amendment may, without the consent of the noteholders of each outstanding note affected thereby:

- change the maturity of any payment of principal of or any installment of interest on the notes;
- reduce the principal amount or the rate of interest, or change the method of computing the amount of principal or interest payable on any date, with respect to the notes;
- change the coin or currency in which the principal of or interest on the notes are payable;
- impair the right of the holders of notes to institute suit for the enforcement of any payment on or after the date due;
- reduce the percentage in principal amount of the outstanding notes, the consent of whose holders is required for any modification of or waiver of compliance with any provision of the indenture or defaults under the indenture and their consequences; or
- modify the provisions summarized in this paragraph or the provisions of the indenture regarding waivers of past defaults.

After an amendment described in the preceding paragraph, we are required to mail through the trustee, to the holders of the notes a notice briefly describing the amendment. However, the failure to give that notice to all the holders of the notes, or any defect in the notice, will not affect the validity of the amendment.

A meeting of the holders of the notes may be called by the trustee at any time. We or the holders of at least 10% in aggregate principal amount of the outstanding notes may call a meeting if we or they have requested the trustee in writing to call such a meeting and the trustee has not given notice of such a meeting within 20 days of receiving the request. Notices of meetings must include the time and place of the meeting and a general description of the action proposed to be taken at the meeting and must be given not less than 30 days nor more than 60 days before the date of the meeting, except that notices of meetings reconvened after adjournment must be given not less than 10 days nor more than 60 days before the date of the meeting. At any meeting, the presence of holders holding notes in an aggregate principal amount sufficient to take the action for which the meeting was called will constitute a quorum. Any modifications to or waivers of the indenture or the notes of will be conclusive and binding on all holders of notes, whether or not they have given their consent (unless required under the indenture) or were present at any duly held meeting.

Notes owned by us or our affiliates will not be considered outstanding for the purpose of determining whether the requisite aggregate principal amount of notes has concurred in any request, demand, notice, consent or waiver under the indenture.

It is not necessary for the noteholders to approve the particular form of any proposed modification of the indenture, but it is sufficient if that consent approves the substance of the proposed modification.

Legal Defeasance and Covenant Defeasance

We may, at our option at any time, defease our obligations with respect to the notes by "legal defeasance" or "covenant defeasance". In general, upon legal defeasance, we will be deemed to have paid and discharged all our indebtedness under the notes and to have satisfied all of our obligations under the notes and the indenture except that the following will survive: (1) our obligations relating to the transfer and exchange of notes, maintenance of a paying agent and a note registrar and certain other matters specified in the indenture and (2) the rights, powers, trusts, duties and immunities of the trustee.

In addition, through covenant defeasance, we may defease our obligations under the covenants described above under the caption "—Certain Covenants", other than the covenants described under "—Performance of Obligations Under the Notes and the Indenture", "—Maintenance of Office or Agency", "—Appointment to Fill a Vacancy in the Office of the Trustee", "—Maintenance of Existence and Conduct of Business" and "—Use of Proceeds" and certain covenants relating to the deposit of amounts to pay principal and interest on the notes, actions with respect to paying agents, the return of unclaimed monies and other matters. Following covenant defeasance, we may omit to comply with any defeased covenant.

In order to exercise either legal defeasance or covenant defeasance, we must satisfy the following conditions:

- we must irrevocably deposit with the trustee, cash in US dollars, US government obligations or a combination thereof, in amounts sufficient, in the opinion of an internationally recognized firm of independent public accountants, to pay and discharge the principal of and each installment of interest on the notes in accordance with the terms of the indenture and the notes;

- we must deliver to the trustee an opinion of tax counsel of recognized standing with respect to US federal income tax matters to the effect that the beneficial owners of the notes will not recognize income, gain or loss for US federal income tax purposes as a result of that deposit and defeasance and will be subject to US federal income tax on the same amount, in the same manner and at the same time as would have been the case if that deposit and defeasance had not occurred (which opinion must be based on a change in US federal income tax law occurring after the date hereof in the case of legal defeasance);

- no event of default has occurred and is continuing on the date of the deposit and, with respect to the bankruptcy, insolvency and other events described in the fifth and sixth bullet points under "—Events of Default", at any time during the period ending on the 123rd day after the date of that deposit or, if longer, ending on the day after the longest applicable preference period relating to that deposit expires;

- we must deliver to the trustee an opinion of tax counsel of recognized standing to the effect that payment of amounts deposited in trust with the trustee will not be subject to future taxes or other governmental charges imposed by any Taxing Jurisdiction, except to the extent that additional amounts in respect thereof have been deposited in trust with the trustee;
- such defeasance will not result in the trust arising from that deposit constituting an investment company as defined under the US Investment Company Act of 1940, as amended; and
- we have delivered to the trustee an officer's certificate and an opinion of counsel stating that all the conditions to defeasance have been complied with.

Satisfaction and Discharge

The notes will be deemed to be paid for all purposes under the indenture, and our indebtedness under the notes will be deemed to have been satisfied and discharged if the following conditions are met, among others:

- either we have given a notice of redemption and all other conditions to redemption have been met or the notes have otherwise become due and payable or will become due and payable within one year;
- we have irrevocably deposited money in trust with the trustee that will be sufficient to pay when due all the principal of and interest on the notes to maturity or redemption together with irrevocable instructions from us directing the trustee to apply such funds to the payment thereof at maturity or redemption, as the case may be; and
- no event of default has occurred and is continuing on the date of the deposit, and the deposit will not breach any other instrument to which we are a party or by which we are bound.

The indenture will cease to be of further effect when:

- either (1) all the notes issued under the indenture have been delivered to the trustee for cancellation (other than destroyed, lost or stolen notes that have been replaced or paid in accordance with the indenture, notes that are deemed to have been paid as described in the preceding paragraph and notes for whose payment money has been deposited in trust or held in trust by us and has thereafter been returned to us) or (2) all notes issued under the indenture that have not been delivered to the trustee for cancellation have been deemed to have been paid as described in the preceding paragraph;
- all other amounts due and payable under the indenture have been paid; and
- we have delivered to the trustee a certificate and an opinion of counsel of recognized standing stating that the conditions to satisfaction and discharge of the indenture have been complied with.

Notwithstanding the satisfaction and discharge of the notes and/or the indenture, our obligations under specified provisions of the indenture relating to the transfer and exchange of notes, payment of additional amounts, maintenance of a paying agent and a note registrar and certain other matters specified in the indenture will survive.

Replacement of Notes

If any note becomes mutilated, destroyed, lost or stolen, we will execute and, upon our request, the trustee will authenticate and deliver a new note of like tenor, interest rate and principal amount in exchange and substitution for that note, so long as the noteholder delivers to us, the note registrar and the trustee satisfactory evidence of its ownership and of the destruction, loss or theft of the note and provides such security or indemnity as they may require to hold them harmless. However, if a mutilated, destroyed, lost or stolen note has become or is about to become due and payable, we may pay the outstanding amounts due under the note instead of issuing a new note. Mutilated or defaced notes must be surrendered before replacements will be issued. We may require that the noteholder pay any taxes or other expenses in connection with the replacement of the note.

The Trustee

The Bank of New York Mellon is the trustee under the indenture. The address of the trustee is The Bank of New York Mellon, 101 Barclay Street, New York, New York 10286, Attention: Corporate Trust Administration.

The indenture contains provisions for the indemnification of the trustee and for its relief from responsibility. The obligations of the trustee to any noteholder are subject to the immunities and rights set forth in the indenture.

We and our 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.

Paying Agents; Transfer Agents; Registrar

We have initially appointed The Bank of New York Mellon as paying agent and note registrar. We may at any time appoint other paying agents, transfer agents and note registrars.

If the global notes are exchanged for notes in certificated form, unless we obtain an exemption from the Singapore Exchange, we shall (so long as the notes are listed on the Singapore Exchange and the rules of that exchange so require) (a) appoint a registrar and paying agent in Singapore where the notes may be presented for registration, for payment or redemption and (b) promptly make an announcement to the Singapore Exchange and include in such announcement all material information in relation to such exchange and the details of the Singapore paying agent.

Notices

Whenever 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 noteholder as it appears in the note 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.

Governing Law

The indenture, and the notes are governed by the laws of the State of New York.

Jurisdiction

We have consented to the non-exclusive jurisdiction of any court of the State of New York or any US federal court sitting in the Borough of Manhattan, The City of New York, and any appellate court from any of those courts. Service of process in any such action or proceeding may be served upon us at our New York representative office located at ICICI Bank Limited, New York Representative Office, 500 Fifth Avenue, Suite 2830, New York, New York 10110. The notes and the indenture provide that if we no longer maintain an office in New York City, then we will appoint a new process agent in New York City.

Currency Rate Indemnity

US dollars is the sole currency of account of the notes and payment for all sums payable by us under the notes, including damages. Any amount received or recovered in a currency other than US dollars (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in our winding-up or dissolution or otherwise) by a noteholder with respect to any amount due to it under the notes will constitute a discharge to us only to the extent of the amount in US dollars that the noteholder is able to purchase with the amount it receives or recovers (or if it is not practicable to make a purchase of US dollars on that date, on the first date on which it is practicable to do so). If the amount in US dollars is less than the amount expressed to be due to the noteholder, we will indemnify the noteholder against any loss sustained as a result. In any event, we will indemnify the noteholder against the cost of any such purchase.

For the purposes of the preceding paragraph, it will be sufficient for the noteholder to certify in a satisfactory manner (indicating sources of information used) that it would have suffered a loss had it made an actual purchase of US dollars with the amount it received or recovered in the other currency on the date it received or recovered that amount (or, if a purchase of US dollars on that date had not been practicable, on the first date on which it would have been practicable, so long as the noteholder certifies the need for the change of date).

These indemnities are a separate and independent obligation from our other obligations, will give rise to a separate and independent cause of action, will apply regardless of any waiver or extension granted by the noteholder and will continue in full force and effect in spite of any other judgment or order or the filing of any proof of claim in the winding-up of our company for a liquidated sum.

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 of each tranche will initially be represented by one or more permanent global notes 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 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 Restricted Global 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 Restricted Global 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 Financial Industry Regulatory Authority, 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 Notes 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 date of original issuance of the notes, 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 Restricted Global 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, Hong Kong 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. 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.

Hong Kong Taxation

Withholding tax

No withholding tax in Hong Kong is payable on payments of principal and interest in respect of the notes.

Profits tax

Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business.

Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "Inland Revenue Ordinance") as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal or redemption of the notes where such sale, disposal or redemption is or forms part of a trade, profession or business carried on in Hong Kong.

Interest on the notes will be subject to Hong Kong profits tax where such interest has a Hong Kong source, and is received by or accrues to:

(i) a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong, notwithstanding that the moneys in respect of which such interest is received or accrues are made available outside Hong Kong; or

(ii) a corporation carrying on a trade, profession or business in Hong Kong; or

(iii) a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and such interest is in respect of the funds of the trade, profession or business.

Stamp duty

No stamp duty is chargeable in Hong Kong for the issue, sale or transfer of a note.

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 through our Hong Kong branch. This summary discusses the Indian tax consequences of payments on the notes being made through Hong Kong and India. However, it is anticipated that all payments will be made through the Hong Kong branch. 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.

Hong Kong Branch making payments

There is currently no requirement to withhold Indian tax on interest payments made on the notes by our Hong Kong branch, if the amounts raised through these notes are utilized outside India. If the amounts so raised are utilized in India, Indian tax consequences would be applicable as detailed under the paragraphs "Withholding taxes" and "Taxation of interest" which are set out below.

Payments through India

Any payments we make on the notes, including additional amounts, made through India would be subject to the regulations of the Reserve Bank of India.

Withholding taxes

There may be a requirement to withhold tax at the current rate of 20% (plus applicable surcharge and education cess and secondary and higher education cess) on interest payments made on the notes through India 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.

If we were to make payments of interest on the notes through India, we would 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 and secondary and higher education cess) on interest paid on the notes through India 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. The rate under the US—India tax treaty is generally 15%. 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 through India and its ultimate Indian tax liability for such interest, subject to and in accordance with the provisions of the Income Tax Act, 1961.

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. The US—India tax treaty does not impose any limitation on India's right to tax capital gains.

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 dispositions, would be liable to pay capital gains tax at rates ranging from 0% to 20% (plus applicable surcharge, education cess and secondary & higher 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 and secondary and higher 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 are 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 and secondary and higher 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.

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. But in the event that these notes are brought into India for enforcement or for any other purpose, the same will attract stamp duty as payable in the relevant state. This stamp duty will have to be paid within a period of 3 months from the date the notes are first received in India.

Certain US Federal Income Tax Considerations

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, 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 of 1986, as amended (the "Code"). Holders should seek their own advice based on their particular circumstances from their tax advisers.

The following is a description of certain US federal income tax consequences to the US Holders described below of owning and disposing of notes, but it does not purport to be a comprehensive description of all tax considerations that may be relevant to a particular person's decision to acquire the notes. This discussion applies only to initial US Holders that (i) purchase notes in 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 and (ii) hold the notes as capital assets for US federal income tax purposes.

This discussion does not describe all of the tax consequences that may be relevant in light of a US Holder's particular circumstances, including alternative minimum tax consequences and tax consequences applicable to US Holders subject to special rules, such as:

- certain financial institutions;
- dealers or traders in securities who use a mark-to-market method of tax accounting;

- persons holding notes as part of a hedging transaction, straddle, wash sale, conversion transaction or integrated transaction or persons entering into a constructive sale with respect to the notes;
- persons whose functional currency for US federal income tax purposes is not the US dollar;
- entities classified as partnerships for US federal income tax purposes;
- tax-exempt entities;
- persons that own or are deemed to own ten percent or more of our voting stock; or
- persons holding notes in connection with a trade or business conducted outside of the United States.

If an entity that is classified as a partnership for US federal income tax purposes holds notes, the US federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partnerships holding notes and partners in such partnerships should consult their tax advisers as to the particular US federal income tax consequences of holding and disposing of the notes.

This discussion is based on the Code, administrative pronouncements, judicial decisions and Treasury regulations, all as of the date hereof, any of which is subject to change, possibly with retroactive effect.

As used herein, a "US Holder" is a holder that is a beneficial owner of a note and is, for US federal income tax purposes:

- a citizen or individual resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia; or
- an estate or trust the income of which is subject to US federal income taxation regardless of its source.

Payments of Interest. It is expected, and therefore this discussion assumes, that the notes will be issued without original issue discount for US federal income tax purposes. Accordingly, interest paid on a note (and any additional amount paid pursuant to the obligations described under "Description of the Notes—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 US Holder's method of accounting for US federal income tax purposes. If, contrary to the Bank's expectation, the notes' principal amount exceeds the issue price by more than a de minimis amount, as determined under applicable Treasury Regulations, a US Holder would be required to include such excess in income as original issue discount, as it accrues, in accordance with a constant yield method based on a compounding of interest before the receipt of cash payments attributable to this income.

The amount of interest taxable as ordinary income will include amounts withheld in respect of Indian taxes (if any). Interest income earned by a US Holder with respect to a note will constitute foreign source income for US federal income tax purposes, which may be relevant to a US Holder in calculating the US Holder's foreign tax credit limitation. Indian taxes (if any) withheld from interest income on a note (at the rate not exceeding the rate provided by the income tax treaty between India and the United States if the US Holder is eligible for the benefits of the treaty) generally will be creditable against the US Holder's US federal income tax liability, subject to applicable limitations that may vary depending upon the US Holder's circumstances. The limitation on foreign taxes eligible for credit is calculated separately with respect to two specific classes of income. For this purpose, interest income on the notes will generally constitute "passive category income" or, in the case of certain US Holders, "general category income". The rules governing foreign tax credits are complex and, therefore, US Holders should consult their own tax advisers regarding the availability of foreign tax credits in their particular circumstances. Instead of claiming a credit, the US Holder may, at its election, deduct such Indian withholding taxes in computing its taxable income. An election to deduct foreign taxes instead of claiming foreign tax credits must apply to all applicable foreign taxes paid or accrued in the taxable year.

Sale, Retirement or Other Taxable Disposition of the Notes. Upon the sale, retirement 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, retirement or taxable disposition and the US Holder's tax basis in the note. 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. A US Holder's tax basis in a note will generally equal the cost of such note to the US Holder.

Gain or loss realized on the sale, retirement 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 the sale, retirement or taxable disposition the US holder has held the note for more than one year. Long-term capital gains recognized by non-corporate US Holders are currently subject to reduced tax rates. The deductibility of capital losses may be subject to limitations.

Any gain or loss will generally be US source income for purposes of computing a US Holder's foreign tax credit limitation. As described in "Indian Taxation—Payment through India—Taxation of gains arising on disposition" above, holders may be subject to Indian tax on the disposition of notes. US Holders should consult their tax advisers as to whether they would be able to credit any such Indian tax against their US federal income tax liabilities in their particular circumstances.

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 generally are subject to information reporting, and may be subject to backup withholding, unless (i) the US Holder is an exempt recipient or (ii) in the case of backup withholding, the US Holder provides a correct taxpayer identification number and certifies that it is not subject to backup withholding. The amount of any backup withholding from a payment to a US Holder will be allowed as a credit against the holder's US federal income tax liability and may entitle it to a refund, provided that the required information is timely furnished to the Internal Revenue Service.

UNITED STATES BENEFIT PLAN INVESTOR 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 generally 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 the ownership of affiliated entities), 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 the notes are acquired pursuant to an exemption from the "prohibited transaction" rules. A violation of these prohibited transaction rules could result in an excise tax or other liabilities under ERISA and/or Section 4975 of the Code for such persons, unless relief is available under an applicable statutory or administrative exemption.

Certain prohibited transaction class exemptions ("PTCEs") issued by the US Department of Labor may provide exemptive relief for direct or indirect prohibited transactions resulting from the purchase or holding of the notes. 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, ERISA Section 408(b)(l7) and Section 4975(d)(20) of the Code provide a limited exemption for the purchase and sale of securities and related lending transactions, provided that neither the issuer of the securities nor any of its affiliates have or exercise any discretionary authority or control or render any investment advice with respect to the assets of any Plan involved in the transaction and provided further that the Plan pays no more and receives no less than adequate consideration in connection with the transaction (the so-called "service provider exemption"). There can be no assurances that any of these statutory or class exemptions will be available with respect to transactions involving the notes.

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 will not result in a nonexempt prohibited transaction. 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 Plan Asset Entity and is not purchasing the notes on behalf of or with "plan assets" of any Plan or Plan Asset Entity or with any assets of a governmental, church or non-US plan that is subject to any federal, state, local or non-US law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code ("Similar Laws") or (b) its purchase, holding and disposition of the notes will not result in a nonexempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or any Similar Law 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 nonexempt prohibited transactions, it is particularly important that fiduciaries or other persons considering purchasing the notes on behalf of or with "plan assets" of any Plan or plan subject to Similar Laws consult with their counsel regarding the potential consequences under ERISA and the Code and the availability of exemptive relief. Purchasers of the notes have exclusive responsibility for ensuring that their purchase and holding of the notes do not violate the fiduciary or prohibited transaction rules of ERISA or the Code or any similar provisions under any Similar Laws. The sale of any notes to a Plan or plan subject to Similar Laws is in no respect a representation by us or the Initial Purchaser or any of our or their affiliates or representatives that such an investment meets all relevant legal requirements with respect to investments by any such plans generally or any particular plan, or that such investment is appropriate for such plans generally or any particular plan.

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 the date of this offering memorandum between us, and Barclays Bank PLC, Citigroup Global Markets Limited and Deutsche Bank AG, Singapore Branch, being the Initial Purchasers, have severally agreed to purchase, and we have agreed to sell to them, US$1,000,000,000 aggregate principal amount of the notes, as follows:

Initial Purchasers	Principal Amount
Barclays Bank PLC	US$333,000,000
Citigroup Global Markets Limited.	US$333,000,000
Deutsche Bank AG, Singapore Branch	US$334,000,000
Total	**US$1,000,000,000**

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 in the purchase agreement, that for a period of 30 days after the date of this offering memorandum, subject to certain exceptions, we will not issue or guarantee any other non-Rupee denominated borrowings or debt instruments or securities which have a tenor of four years or more and which are either placed or distributed on a syndicated basis directly or on our behalf, outside India.

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.

Delivery of the notes is expected on or about November 16, 2010, which is the fifth business day following the date of pricing of the notes (such settlement cycle being referred to as "T+5"). Under Rule 15c6-1 under the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the notes on the date of pricing or the next succeeding business day will be required, because the notes will initially settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers who wish to trade the notes on the pricing date or the next succeeding business day should consult their own advisors.

New Issue of Notes

The notes are a new issue of notes with no established trading market. We have received approval in principle for the listing of the notes on the Singapore Exchange. The Initial Purchasers may 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 "distribution compliance period" (within the meaning of Regulation S) 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.

Each purchaser of the notes will be deemed to have made acknowledgements as described under "Transfer Restrictions".

United Kingdom

Any communication of 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") in connection with the issue or sale of the notes may be made only in circumstances in which Section 21(1) of the FSMA does not apply to us and in compliance with all applicable provisions of the FSMA with respect to anything done by the Initial Purchasers relating to the notes in, from or otherwise involving the United Kingdom.

India

This offering memorandum has not and will not be registered as a prospectus with the Registrar of Companies, the Securities and Exchange Board of India or any other statutory or regulatory body of like nature in India. This offering memorandum or any other offering document or material relating to the notes, may not be circulated or distributed, 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. The notes may 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 notes may not be offered or sold in Hong Kong, by means of any document, 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.

No advertisement, invitation or document relating to the notes may be issued, whether in Hong Kong or elsewhere, 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

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the notes may not be offered or sold or made the subject of an invitation for subscription or purchase, and the offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes, may not be circulated or distributed, 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,

securities (as defined in Section 239(1) of the SFA) 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 or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law; or

(4) as specified in Section 276(7) of the SFA.

Japan

The notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan. The notes may not be offered or sold, directly or indirectly, in Japan or to or for the benefit of any resident of Japan or to any persons for reoffering or resale, directly or indirectly, in Japan or to any resident of Japan, except (i) pursuant to an exemption from the registration requirements of the Securities and Exchange Law of Japan available thereunder and (ii) in compliance with the Financial Instruments and Exchange Law and other applicable laws, regulations and ministerial guidelines of Japan. 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, Deutsche Bank AG, Singapore Branch or its affiliates 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 create 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 may have been and may currently be 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 one year 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 or any of our subsidiaries;

   - 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 one year 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 one year 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 subsidiary 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 subsidiary 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 it 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. Either (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, church or non-US 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 ("Similar Laws"), or (ii) its purchase, holding and disposition of the notes will not result in a nonexempt prohibited transaction under Section 406 of ERISA, Section 4975 of the Code or any provision of Similar Laws. 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, church or non-US which is subject to any Similar Laws, or (ii) its purchase, holding and disposition of the notes will not result in a nonexempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or any provision of Similar Laws.

LEGAL MATTERS

The validity of the notes will be passed upon for us by Davis Polk & Wardwell LLP, our US counsel, and for the Initial Purchasers by Latham & Watkins LLP, 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. Matters of Hong Kong law under "Taxation—Hong Kong Taxation" will be passed upon by Latham & Watkins, Hong Kong counsel to the Initial Purchasers.

INDEPENDENT ACCOUNTANTS

The unconsolidated financial statements of ICICI Bank Limited as of and for the years ended March 31, 2008, 2009 and 2010, included in this offering memorandum, have been audited by B S R & Co., Chartered Accountants, as stated in their report appearing herein which refers to reliance on other auditors. The unconsolidated financial statements of ICICI Bank Limited as of and for the six months ended September 30, 2010, included in this offering memorandum, have been audited by S.R. Batliboi & Co., Chartered Accountants, as stated in their report appearing herein which refers to reliance on other auditors.

The consolidated financial statements of ICICI Bank Limited as of and for the year ended March 31, 2009 and 2010, incorporated by reference in this offering memorandum, have been audited by B S R & Co., Chartered Accountants, as stated in their report incorporated by reference herein which refers to reliance on other auditors to the extent set forth therein.

As per statutory requirements, the appointment of S.R. Batliboi & Co., Chartered Accountants, as independent statutory auditors with respect to the Bank within the meaning of the Indian Companies Act, 1956, as amended and in accordance with the guidelines issued by the Institute of Chartered Accountants of India, for fiscal 2011 has been approved by the Board of Directors of the Bank and the Reserve Bank of India. The appointment has been approved by the shareholders at the Annual General Meeting held on June 28, 2010.

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 the financial statements as a result of transactions or events that may occur in the future.

Indian GAAP	US GAAP
1. Financial Statements 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 sheets. Pursuant to the option available under Form 20-F, we file consolidated financial statements under Indian GAAP including reconciliation of net income and stockholder's equity under Indian GAAP to net income and stockholder's equity under US GAAP.
2. Consolidation	
We have presented our Indian GAAP financial statements on an unconsolidated basis where the financial position and results of operations of our controlled entities are not consolidated, but are reflected on the basis of cost subject to consideration of impairment. Under Indian GAAP, we also prepare consolidated financial statements as per Accounting Standard 21 on "Consolidated Financial Statements" where 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 are accounted for as per the equity method of accounting as defined in Accounting Standard 23 on "Accounting for Investments in Associates in Consolidated Financial Statements" and in joint ventures as per the proportionate consolidation method as defined in Accounting Standard 27 on "Financial Reporting of Interests in Joint Ventures". The financial statements of companies which are jointly controlled entities by virtue of the contractual agreements but which are also subsidiaries as per Accounting Standard 21 on "Consolidated Financial Statements", are consolidated on a line-by-line basis as per Accounting Standard 21 on "Consolidated Financial Statements", consequent to the limited revision to Accounting Standard 27 on "Financial Reporting of Interests in Joint Ventures". Under Indian GAAP, we have not consolidated certain entities in which control is intended to be temporary.	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 FASB ASC Topic 810-10, "Consolidation—Overall". Under US GAAP, the entries are considered for consolidation on a line-by-line basis or as per equity method of accounting primarily in accordance with FASB ASC Topic 810, "Consolidation" and FASB ASC Topic 323, "Investments—equity method and joint venture".

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 FASB ASC Topic 805, "Business Combinations", 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. Under US GAAP, goodwill has been accounted for in accordance with ASC Topic 805 and FASB ASC Topic 350, "Intangibles—Goodwill and others". Subsequent to the adoption of ASC Topic 350, goodwill and intangibles with infinite life are tested for impairment at least annually.
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. We assess the available for sale or held to maturity securities for other than temporary impairment. In case a security is assessed to be other than temporarily impaired, the unrealized losses are recognized in income statement. As per a recent pronouncement in US GAAP, a certain portion of the amount of other than temporary impairment loss should be taken to other comprehensive income if criteria relating to probable sale of the security as given in the pronouncement are fulfilled. Under US GAAP, the impact of movements on non-hedged "available for sale" debt securities denominated in foreign currencies is taken to other comprehensive income.

Indian GAAP	US GAAP
	Under US GAAP, unrealized gains or losses on investments of venture capital subsidiaries are recognized in the profit and loss account. Under Indian GAAP, the impact of movements in foreign exchange rates on debt securities denominated in foreign currencies is taken to profit and loss account. Under Indian GAAP, unrealized gains or losses on investments of venture capital subsidiaries are taken to reserves.
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 securities. The actuarial gains or losses are recognized immediately in the statement of income. Past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested.	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. 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, unrecognized net gain or loss exceeds 10% of the greater of the projected benefit obligation or the market-related value of plan assets. Gains and losses and prior service costs are recognized as a component of other comprehensive income to the extent they are not recognized as components of net periodic benefit cost. The balance, if any, is amortized over the average remaining service period of active employees expected to receive benefits under the plan.
7. Accounting for share based payments	
We follow the intrinsic value method to account for our 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 on the grant date. Under Indian GAAP, fringe benefit tax (FBT) recovered from employees is recorded as an offset against the corresponding expenses.	Under US GAAP, share based payments are accounted for under FASB ASC Topic 718, "Compensation—stock compensation", which requires such payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Under US GAAP, the effect of FBT is considered in determining the fair value of the award on the grant date.
8. Revaluation of property	
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 the realized profit or loss on sale of revalued property is different from Indian GAAP.

9. Allowance for credit losses

Indian GAAP

All credit exposures, including overdues arising from crystallized derivative contracts, are classified as per Reserve Bank of India guidelines, into performing and NPAs. Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by Reserve Bank of India. In the case of corporate loans, provisions are made for sub-standard and doubtful assets at rates prescribed by Reserve Bank of India. Loss assets and the unsecured portion of doubtful assets are provided/written off as per the extant Reserve Bank of India guidelines. Provisions on homogeneous retail loans, subject to minimum provisioning requirements of Reserve Bank of India, are assessed at a portfolio level on the basis of days past due. We hold specific provisions against non-performing loans and general provision against performing loans. The assessment of incremental specific provisions is made after taking into consideration existing specific provision. The specific provisions on retail loans held by us are higher than the minimum regulatory requirements. Provision on assets restructured/rescheduled is made in accordance with the applicable Reserve Bank of India guidelines on restructuring of advances by banks under which the provision is calculated by discounting the original and restructured cash flows at the current lending rate. 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. In addition to the specific provision on NPAs, we maintain a general provision on performing loans. The general provision covers the requirements of the Reserve Bank of India guidelines. Under Indian GAAP, in respect of non-performing loan accounts subjected to restructuring, the account is upgraded to standard category if the borrower demonstrates, over a minimum period of one year, the ability to repay the loan in accordance with the contractual terms.

US GAAP

Under US GAAP, the impaired loans portfolio is classified into restructured loans and other impaired loans. Restructured loans represent loans whose terms relating to interest and installment payments have been modified and qualify as troubled debt restructurings as defined in FASB ASC Subtopic 310-40, "Troubled Debt Restructurings by creditors". Other impaired loans represent loans other than restructured loans, which qualify for impairment as per FASB ASC Subtopic 310-10, "Receivables Overall". Under US GAAP, larger balance, non-homogenous exposures representing significant individual credit exposures (both funded and non-funded), are evaluated on the basis of borrower's overall financial condition, resources and payment record and the realizable value of any collateral. This estimate considers all available evidence including the present value of the expected future cash flows discounted at the loan's contractual effective rate and the fair value of collateral. Allowances recognized on account of reductions of future interest rates as a part of troubled debt restructurings are accreted as a credit to the provision for loan losses over the tenor of the restructured loan. Each portfolio of smaller-balance, homogenous loans, including consumer mortgage, installment, revolving credit and most other consumer loans is individually evaluated for impairment. The allowance for loan losses attributed to these loans is established through a process that includes an estimate of probable losses inherent in the portfolio, based upon various statistical analysis. Under US GAAP, the allowance for loan losses for restructured loans is created by discounting expected cash flows at contracted interest rates. Under US GAAP, the allowances on the performing portfolios are based on the estimated probable losses inherent in the portfolio. The allowances on the performing portfolios are established after considering historical and projected default rates and loss severities. The process of up-gradation of non-performing accounts, subjected to restructuring, under US GAAP is not rule-based and the timing of up-gradation may differ across individual loans.

Indian GAAP	US GAAP
10. Loan origination fees/costs	
Loan origination fees are accounted for up front except for certain fees which are received in lieu of sacrifice of future interest, which are amortized over the remaining period of the facility. Also under Indian GAAP, loan origination costs, including commissions paid to direct marketing agents, are expensed in the year in which they are incurred.	Loan origination fees (net of certain costs) are amortized over the period of the loans as an adjustment to the yield on the loan.
11. Acceptances	
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.
12. Derivatives instruments and hedging activities	
The impact of changes in fair value of the derivative instruments are correlated with the changes in fair value of the underlying assets and liabilities and accounted pursuant to the principles of 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.	All derivatives, either assets or liabilities, are measured at fair value. Fair values of derivatives are based on quoted market prices, which take into 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.
13. Deferred Taxes	
Deferred taxation is provided on timing differences where it is considered probable that a benefit or a liability will crystallize. Deferred tax is not created on undistributed earnings of subsidiaries and affiliates.	Under FASB ASC Topic 740, "Income Taxes", asset/liability method is used such that deferred tax assets and liabilities are calculated for all temporary differences. A valuation allowance is created 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. Deferred tax is created on undistributed earnings of subsidiaries and affiliates.
Under Indian GAAP, deferred tax assets or liabilities are created based on substantively enacted tax rates.	Under US GAAP, deferred tax assets or liabilities are created based on enacted tax rates in force at the balance sheet date.

Indian GAAP	US GAAP
14. Basis for Depreciation	
Depreciation is charged over the estimated useful life of a fixed asset on a straight line basis at rates which are not lower than the rates prescribed in the Companies Act, 1956.	Depreciation is provided over the useful life of a fixed asset.
15. Accounting policies, errors and estimates	
Under Indian GAAP, the cumulative amount of the change or correction is recognized and disclosed in the profit and loss account in the period of change. Recent standards in some cases require the cumulative effect of changes to be adjusted in reserves.	Changes in accounting principle and estimate and correction of errors are required to be made through retrospective adjustment of prior periods. The cumulative effect of the change on periods prior to those presented is reflected in the opening balances. Changes in accounting estimate are accounted prospectively.
16. Accounting for Securitization	
Under Indian GAAP, with effect from February 1, 2006, profits/premium arising from securitization of loan assets are accounted for 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. The losses, if any, are charged off immediately. The float income is accrued as it is earned under Indian GAAP.	Under US GAAP, the gain on sale of loans securitized (including float income) is accounted for at the time of sale in accordance with FASB ASC Topic 860, "Transfers and Servicing Financial Assets and Extinguishment". As per ASC Topic 860, any gain or loss on the sale of the financial asset is accounted for in the income statement at the time of the sale.
17. Dividend	
Indian GAAP, dividends on common stock and the related dividend tax are recognized in the year to which it relates to.	Under US GAAP, dividends on common stock and the related dividend tax are recognized in the year of approval by the board of directors.
18. Others	
Under Indian GAAP, gain on redemption of certain venture capital units were recognized by exchanging the units with underlying equity shares.	Under US GAAP, gain is recognized only if beneficial interest is not retained.

IMPORTANT INFORMATION RELATING TO THE FINANCIAL INFORMATION PRESENTED

This offering memorandum includes 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 fiscal 2006 to 2010 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 fiscal 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 certain significant differences between Indian GAAP and US GAAP, see "Description of Certain Differences between Indian GAAP and US GAAP". Our audited consolidated financial statements at and for the year ended March 31, 2009 prepared in accordance with Indian GAAP as included in our 15th annual report to shareholders and our audited consolidated financial statements at and for the year ended March 31, 2010 prepared in accordance with Indian GAAP as included in our 16th annual report to shareholders are incorporated by reference into this offering memorandum (but not any other parts of such annual reports). The information incorporated by reference is part of this offering memorandum.

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Auditors' Report on Interim Financial Statements

The Board of Directors
ICICI Bank Limited

1. We have audited the accompanying condensed Balance Sheet of ICICI Bank Limited (the 'Bank') as at 30 September 2010, the condensed Profit and Loss Account and condensed Cash Flow Statement for the six months period then ended prepared in accordance with accounting principles generally accepted in India. Incorporated in the said condensed financial statements are the returns of the Singapore, Bahrain and Hong Kong branches of the Bank, audited by other auditors.

2. 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. We conducted our audit in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance 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 management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

3. *The Bank has not recorded transfer of profit to various reserves as required by the RBI guidelines and the Banking Regulation Act, 1949 as these are interim financial statements. These transfers will recorded at the time of annual financial statements. This does not affect the net profit after tax or the total reserves reported in the condensed financial statements*

4. The condensed balance sheet and condensed 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 and in accordance with the requirements of Accounting Standard (AS) 25, Interim Financial Reporting, notified pursuant to the Companies (Accounting Standards) Rules, 2006, read with Section 211 of the Companies Act, 1956.

5. We did not audit the financial statements of Singapore, Bahrain and Hong Kong branches, whose financial statements reflect total assets of Rs. 747,037.7 million as at 30 September 2010, the total revenue of Rs. 19,640.3 million and net cash flows amounting to (Rs. 8,933.6 million) for the period then ended. These financial statements have been audited by other auditors, duly qualified to acts as auditors in the country of incorporation of the said branches, whose reports have been furnished to us, and our opinion is based solely on the report of other auditors.

6. 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) The condensed balance sheet, condensed profit and loss account and condensed cash flow statement dealt with by this report are in agreement with the books of account;

   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 branches not visited by us. The Branch Auditor's Reports have been forwarded to us and have been appropriately dealt with;

   d) *Subject to paragraph 3*, on the basis of the information and explanations given to us and on consideration of auditors reports submitted by Singapore, Bahrain and Hong Kong branches, we are of the opinion that these financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

      a. in the case of the Condensed Balance Sheet, of the state of affairs of ICICI Bank Limited as at 30 September 2010;

      b. in the case of the Condensed Profit and Loss Account, of the net profit of ICICI Bank Limited for the six months period then ended; and

      c. in the case of the Condensed Cash Flow Statement, of the cash flows of ICICI Bank Limited for the six months period then ended.

For S.R. Batliboi & Co.
Firm Registration Number: 301003E
Chartered Accountants

per Shrawan Jalan
Partner
Membership No.: 102102

ICICI BANK LIMITED
Unconsolidated Condensed Balance Sheet at September 30, 2010

	Schedule	At 30.09.2010	At 31.03.2010	At 30.09.2009
			₹ in million	
CAPITAL AND LIABILITIES				
Capital	1	11,508.3	11,148.9	11,136.0
Reserves and surplus	2	528,240.2	505,034.8	501,446.6
Deposits	3	2,230,941.2	2,020,166.0	1,978,320.5
Borrowings	4	970,097.5	942,635.7	1,001,231.5
Other liabilities and provisions	5	159,192.8	155,011.7	171,606.8
TOTAL CAPITAL AND LIABILITIES		3,899,980.0	3,633,997.1	3,663,741.4
ASSETS				
Cash and balances with Reserve Bank of India	6	228,672.1	275,142.9	200,388.4
Balances with banks and money at call and short notice	7	119,806.0	113,594.0	92,278.0
Investments	8	1,362,755.1	1,208,928.0	1,199,648.2
Advances	9	1,942,007.2	1,812,056.0	1,908,601.8
Fixed assets	10	47,808.3	32,126.9	35,515.7
Other assets	11	198,931.3	192,149.3	227,309.3
TOTAL ASSETS		3,899,980.0	3,633,997.1	3,663,741.4
Contingent liabilities	12	8,468,461.3	7,270,840.6	7,395,052.1
Bills for collection		75,337.5	64,749.5	61,742.5
Significant accounting policies and notes to accounts	18 & 19			

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.
Firm's Registration No.: 301003E
Chartered Accountants

K. V. Kamath
Chairman

Chanda D. Kochhar
Managing Director & CEO

N. S. Kannan
Executive Director & CFO

Shrawan Jalan
Partner
Membership No.: 102102

K. Ramkumar
Executive Director

Rajiv Sabharwal
Executive Director

Sandeep Batra
Group Compliance Officer & Company Secretary

Rakesh Jha
Deputy Chief Financial Officer

Place: Mumbai
Date: October 29, 2010

ICICI BANK LIMITED
Unconsolidated Condensed Profit and Loss Account for the period ended September 30, 2010

	Schedule	At 30.09.2010	At 31.03.2010	At 30.09.2009
			₹ in million	
I. INCOME				
Interest earned	13	121,216.4	257,069.3	137,903.8
Other income	14	32,584.4	74,776.5	39,136.7
TOTAL INCOME		153,800.8	331,845.8	177,040.5
II. EXPENDITURE				
Interest expended	15	79,262.1	175,925.7	97,690.5
Operating expenses	16	30,538.6	58,598.3	29,705.5
Provisions and contingencies	17	21,377.6	57,072.0	30,461.0
TOTAL EXPENDITURE		131,178.3	291,596.0	157,857.0
III. PROFIT/(LOSS)				
Net profit for the period/year		22,622.5	40,249.8	19,183.5
Profit brought forward		34,643.8	28,096.5	28,096.5
TOTAL PROFIT/(LOSS)		57,266.3	68,346.3	47,280.0
IV. APPROPRIATIONS/TRANSFERS				
Transfer to Statutory Reserve		—	10,070.0	—
Transfer to Reserve Fund		—	2.2	—
Transfer to Capital Reserve		—	4,440.0	—
Transfer to Investment Reserve Account		—	1,160.0	—
Transfer to General Reserve		—	10.4	—
Transfer to Special Reserve		—	3,000.0	—
Dividend (including corporate dividend tax) for the previous year paid during the period/year)		21.7	0.9	0.9
Proposed equity share dividend		—	13,378.6	—
Proposed preference share dividend		—	—	—
Corporate dividend tax		—	1,640.4	—
Balance carried over to balance sheet		57,244.6	34,643.8	47,279.1
TOTAL		57,266.3	68,346.3	47,280.0
Significant accounting policies and notes to accounts	18 & 19			
Earnings per share (Refer note. 19.5)				
Basic (₹)		20.11	36.14	17.23
Diluted (₹)		20.03	35.99	17.17
Face value per share (₹)		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 S.R. Batliboi & Co.
Firm's Registration no.: 301003E
Chartered Accountants

K. V. Kamath
Chairman

Chanda D. Kochhar
Managing Director & CEO

N. S. Kannan
Executive Director & CFO

Shrawan Jalan
Partner
Membership no.: 102102

K. Ramkumar
Executive Director

Rajiv Sabharwal
Executive Director

Sandeep Batra
Group Compliance Officer & Company Secretary

Rakesh Jha
Deputy Chief Financial Officer

Place: Mumbai
Date: October 29, 2010

ICICI BANK LIMITED

Unconsolidated Condensed Cash Flow Statement for the half year ended September 30, 2010

PARTICULARS	Half year ended 30.09.2010	Year ended 31.03.2010	Half year ended 30.09.2009
		₹ in million	
Cash flow from operating activities			
Net profit before taxes	29,610.6	53,453.2	25,695.0
Adjustments for:			
Depreciation and amortisation	3,539.0	7,550.3	4,252.4
Net (appreciation)/depreciation on investments	5,624.5	6,242.8	444.6
Provision in respect of non-performing assets (including prudential provision on standard assets)	13,625.6	43,621.6	24,075.4
Provision for contingencies & others	423.9	273.5	262.5
Income from subsidiaries, joint ventures and consolidated entities	(2,166.0)	(3,934.0)	(1,674.0)
(Profit)/loss on sale of fixed assets	(445.0)	(1,345.2)	(525.0)
	50,212.6	105,862.2	52,530.9
Adjustments for:			
(Increase)/decrease in investments	(68,818.6)	(243,844.2)	(211,420.0)
(Increase)/decrease in advances	(80,226.1)	327,300.6	250,272.7
Increase/(decrease) in borrowings	21,235.7	(17,220.9)	76,369.8
Increase/(decrease) in deposits	75,487.8	(163,312.3)	(205,157.8)
(Increase)/decrease in other assets	(12,016.9)	54,586.5	17,159.4
Increase/(decrease) in other liabilities and provisions	956.6	(28,694.6)	2,620.5
	(63,381.5)	(71,184.9)	(70,155.4)
Refund/(payment) of direct taxes	(7,233.8)	(15,985.2)	(7,984.0)
Net cash flow from operating activities (A)	(20,402.7)	18,692.1	(25,608.5)
Cash flow from investing activities			
Investments in subsidiaries and/or joint ventures (including application money)	—	(1,113.2)	(333.8)
Income from subsidiaries, joint ventures and consolidated entities	2,166.0	3,934.0	1,674.0
Purchase of fixed assets	(3,095.1)	(5,101.6)	(2,935.5)
Proceeds from sale of fixed assets	984.8	3,164.8	831.8
(Purchase)/sale of held to maturity securities	(18,931.4)	60,623.3	42,432.1
Net cash from investing activities (B)	(18,875.7)	61,507.3	41,668.6
Cash flow from financing activities			
Proceeds from issue of share capital (including ESOPs) net of issue expenses	1,045.2	610.4	121.0
Net proceeds/(repayment) of bonds (including subordinated debt)	1,277.4	26,946.8	(7,416.9)
Dividend and dividend tax paid	(15,004.8)	(13,731.0)	(13,726.8)
Net cash generated from financing activities (C)	(12,682.2)	13,826.2	(21,022.7)
Effect of exchange fluctuation on translation reserve (D)	(70.5)	(4,954.3)	(2,036.6)
Net cash and cash equivalents taken over from The Bank of Rajasthan Limited on amalgamation (E)	11,772.3	—	—
Net increase/(decrease) in cash and cash equivalents (A) + (B) + (C) + (D) + (E)	(40,258.8)	89,071.3	(6,999.2)
Cash and cash equivalents at beginning of period/year	388,736.9	299,665.6	299,665.6
Cash and cash equivalents at end of period/year	348,478.1	388,736.9	292,666.4

Significant accounting policies and notes to accounts (refer schedule 18 & 19). 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

<table>
<tr><td>For S.R. Batliboi & Co.
Firm's Registration no.: 301003E
Chartered Accountants</td><td>K. V. Kamath
Chairman</td><td>Chanda D. Kochhar
Managing Director
& CEO</td><td>N. S. Kannan
Executive Director
& CFO</td></tr>
<tr><td>Shrawan Jalan
Partner
Membership no.: 102102</td><td>K. Ramkumar
Executive Director

Rakesh Jha
Deputy Chief Financial
Officer</td><td>Rajiv Sabharwal
Executive Director</td><td>Sandeep Batra
Group Compliance Officer
& Company Secretary</td></tr>
</table>

Place: Mumbai
Date: October 29, 2010

Schedules forming part of the balance sheet

	At 30.09.2010	At 31.03.2010	At 30.09.2009
		₹ in million	
SCHEDULE 1 - CAPITAL			
Authorised capital			
1,275,000,000 equity shares of ₹ 10 each (March 31, 2010: 1,275,000,000 equity shares of ₹ 10 each, September 30, 2009: 1,275,000,000 equity shares of ₹ 10 each)	12,750.0	12,750.0	12,750.0
15,000,000 shares of ₹ 100 each (March 31, 2010: 15,000,000 shares of ₹ 100 each, September 30, 2009: 15,000,000 shares of ₹ 100 each)[1]	1,500.0	1,500.0	1,500.0
350 preference shares of ₹ 10 million each (March 31, 2010: 350 preference shares of ₹ 10 million each, September 30, 2009: 350 preference shares of ₹ 10 million each)[2]	3,500.0	3,500.0	3,500.0
Equity share capital			
Issued, subscribed and paid-up capital			
1,114,845,114 equity shares of ₹ 10 each (March 31, 2010: 1,113,250,642 equity shares, September 30, 2009: 1,113,250,642 equity shares)[3]	11,148.4	11,132.5	11,132.5
Add : 31,323,951 equity shares of ₹ 10 each fully paid up issued to shareholders of erstwhile The Bank of Rajasthan Limited	313.2	—	—
Add: 1,750,472 equity shares of ₹ 10 each fully paid up (March 31, 2010: 1,594,672 equity shares, September 30, 2009: 313,503 equity shares) issued pursuant to exercise of employee stock options.	17.6	15.9	3.1
	11,479.2	11,148.4	11,135.6
Less: Calls unpaid	0.3	0.3	0.4
Add: 111,603 equity shares forfeited (March 31, 2010: 111,603 equity shares, September 30, 2009: 111,603 equity shares)	0.8	0.8	0.8
Share capital suspense [net][4]	28.6	—	—
TOTAL CAPITAL	11,508.3	11,148.9	11,136.0

1. These shares will be of such class and with such rights, privileges, conditions or restrictions as may be determined by the Bank in accordance with the Articles of Association of the Bank and subject to the legislative provisions in force for the time being in that behalf.
2. Pursuant to RBI circular no. DBOD.BP.BC No.81/ 21.01.002/2009-10, the issued and paid-up preference shares are grouped under Schedule 4 - "Borrowings".
3. Net of 200 shares of the Bank, earlier held by erstwhile The Bank of Rajasthan Limited, extinguished on amalgamation.
4. Represents 2,860,170 equity shares kept in abeyance and to be issued in lieu of 13,500,000 unlisted equity shares of erstwhile The Bank of Rajasthan Limited, which are the subject matter of a civil appeal and regulatory direction.

Schedules forming part of the balance sheet

	At 30.09.2010	At 31.03.2010	At 30.09.2009
		₹ in million	
SCHEDULE 2 - RESERVES AND SURPLUS			
I. Statutory reserve			
Opening balance	58,863.8	48,793.8	48,793.8
Additions during the period/year [includes ₹ 2,002.7 million on amalgamation]	2,002.7	10,070.0	—
Deductions during the period/year	—	—	—
Closing balance	60,866.5	58,863.8	48,793.8
II. Special reserve			
Opening balance	26,440.0	23,440.0	23,440.0
Additions during the period/year	—	3,000.0	—
Deductions during the period/year	—	—	—
Closing balance	26,440.0	26,440.0	23,440.0
III. Securities premium			
Opening balance	313,511.8	312,917.4	312,917.4
Additions during the period/year[1]	853.3	594.4	117.8
Deductions during the period/year[2]	(2,180.9)	—	—
Closing balance	312,184.2	313,511.8	313,035.2
IV. Investment reserve Account			
Opening balance	1,160.0	—	—
Additions during the period/year	—	1,160.0	—
Deductions during the period/year	—	—	—
Closing balance	1,160.0	1,160.0	—
V. Capital reserve			
Opening balance	20,630.0	16,190.0	16,190.0
Additions during the period/year	—	4,440.0	—
Deductions during the period/year	—	—	—
Closing balance	20,630.0	20,630.0	16,190.0
VI. Foreign currency translation reserve			
Opening balance	(20.0)	4,966.8	4,966.8
Additions during the period/year	—	—	
Deductions during the period/year	(70.5)	4,986.8	(2,051.1)
Closing balance	(90.5)	(20.0)	2,915.7
VII. Reserve fund			
Opening balance	10.9	8.7	8.7
Additions during the period/year[3]	—	2.2	—
Deductions during the period/year	—	—	—
Closing balance	10.9	10.9	8.7
VIII. Revenue and other reserves			
Opening balance	49,794.5	49,784.1	49,784.1
Additions during the period/year	—	10.4	—
Deductions during the period/year	—	—	—
Closing balance	49,794.5	49,794.5	49,784.1
IX. Balance in profit and loss account	57,244.6	34,643.8	47,279.1
TOTAL RESERVES AND SURPLUS	528,240.2	505,034.8	501,446.6

1. ₹ 842.4 million (March 31, 2010: ₹ 568.3 million, September 30, 2009: ₹ 108.7 million) on exercise of employee stock options.
2. Represents excess of paid up value of equity shares issued over the fair value of the net assets acquired and amalgamation expenses.
3. Represents appropriation of 5% of net profit by Sri Lanka branch to meet the requirements of Section 20 of Sri Lankan Banking Act No 30 of 1988.

Schedules forming part of the balance sheet

	At 30.09.2010	At 31.03.2010	At 30.09.2009
		₹ in million	
SCHEDULE 3 - DEPOSITS			
A. I. Demand deposits			
i) From banks	13,657.1	14,856.0	8,763.8
ii) From others	334,913.3	295,118.6	227,351.9
II. Savings bank deposits	632,478.8	532,183.7	493,180.8
III. Term deposits			
i) From banks	160,077.0	88,149.4	75,789.9
ii) From others	1,089,815.0	1,089,858.3	1,173,234.1
TOTAL DEPOSITS	2,230,941.2	2,020,166.0	1,978,320.5
B. I. Deposits of branches in India	2,141,174.6	1,921,759.6	1,873,589.6
II. Deposits of branches outside India	89,766.6	98,406.4	104,730.9
TOTAL DEPOSITS	2,230,941.2	2,020,166.0	1,978,320.5

Schedules forming part of the balance sheet

	At 30.09.2010	At 31.03.2010	At 30.09.2009
		₹ in million	
SCHEDULE 4 - BORROWINGS			
I. Borrowings in India			
i) Reserve Bank of India	—	—	—
ii) Other banks	28,378.7	25,000.0	124,912.8
iii) Other institutions and agencies			
a) Government of India	493.5	687.5	881.4
b) Financial institutions	60,222.1	54,405.3	34,695.1
iv) Borrowings in the form of Bonds and debentures (excluding subordinated debt)			
- Debentures and bonds guaranteed by the Government of India	7,055.0	8,355.0	10,655.0
- Borrowings under private placement of bonds carrying maturity of 1 to 30 years from the date of placement	2,988.7	3,567.4	6,159.6
Bonds issued under multiple option/safety bonds series			
- Regular interest bonds	2,350.6	2,924.2	3,114.7
- Deep discount bonds	2,611.8	2,517.8	2,529.5
- Tax saving bonds	—	8,713.2	16,109.7
- Pension bonds	57.9	59.4	60.8
v) Application money-bonds[1]	—	25,000.0	—
vi) Capital instruments			
Innovative Perpetual Debt Instruments (IPDI) (qualifying as Tier I capital)	13,010.0	13,010.0	13,010.0
Hybrid debt capital instruments issued as bonds/debentures (qualifying as upper Tier II capital)	98,192.2	97,502.0	73,702.0
Redeemable Non-Cumulative Preference Shares (RNCPS)			
(Redeemable Non-Cumulative Preference Shares of ₹ 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
Unsecured redeemable debentures/bonds (subordinated debt included in Tier II capital)	178,456.5	138,547.5	129,206.4
TOTAL BORROWINGS IN INDIA	397,317.0	383,789.3	418,537.0
II. Borrowings outside India			
i) From multilateral/bilateral credit agencies guaranteed by the Government of India for the equivalent of ₹ 16,903.3 million (March 31, 2010: ₹ 17,252.7 million, September 30, 2009: ₹ 19,738.9 million)	18,026.9	18,525.1	21,529.8
ii) From international banks, institutions and consortiums	268,720.4	233,809.4	256,744.7
iii) By way of bonds and notes	230,375.5	250,570.3	244,271.1
iv) Capital instruments			
Innovative Perpetual Debt Instruments (IPDI) (qualifying as Tier I capital)	15,216.2	15,200.0	16,279.5
Hybrid debt capital instruments issued as bonds/debentures (qualifying as upper Tier II capital)	40,441.5	40,410.0	43,294.5
v) Other borrowings	—	331.6	574.9
TOTAL BORROWINGS OUTSIDE INDIA	572,780.5	558,846.4	582,694.5
TOTAL BORROWINGS	970,097.5	942,635.7	1,001,231.5

1. Application money received towards subordinated debt.
2. Secured borrowings in I and II above are Nil, except borrowings of ₹ 7,001.5 million under CBLO and market repurchase transactions with banks and financials institutions.(March 31, 2010: Nil; September 30, 2009: ₹ 107,280.0 million).

Schedules forming part of the balance sheet

	At 30.09.2010	At 31.03.2010	At 30.09.2009
		₹ in million	
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS			
I. Bills payable	35,711.1	27,069.2	24,238.2
II. Inter-office adjustments (net credit)	—	244.1	1,451.0
III. Interest accrued	25,195.4	24,421.8	25,959.6
IV. Others			
a) Security deposits from clients	8,115.0	5,934.8	6,858.7
b) Sundry creditors	54,253.0	39,664.0	62,558.0
c) Received for disbursements under special program	1,681.1	1,663.3	1,638.5
d) Provision for standard assets	14,796.0	14,360.7	14,360.6
e) Other liabilities[1]	19,441.2	41,653.8	34,542.2
TOTAL OTHER LIABILITIES AND PROVISIONS	159,192.8	155,011.7	171,606.8

1. Includes :
   a) Proposed dividend amounting to Nil. (March 31, 2010: ₹ 13,378.6 million, September 30, 2009: Nil).
   b) Corporate dividend tax payable amounting to Nil. (March 31, 2010: ₹ 1,640.4 million, September 30, 2009: Nil).

	At 30.09.2010	At 31.03.2010	At 30.09.2009
		₹ in million	
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA			
I. Cash in hand (including foreign currency notes)	30,706.5	33,410.2	27,325.1
II. Balances with Reserve Bank of India in current accounts	197,965.6	241,732.7	173,063.3
TOTAL CASH AND BALANCES WITH RESERVE BANK OF INDIA	228,672.1	275,142.9	200,388.4

	At 30.09.2010	At 31.03.2010	At 30.09.2009
		₹ in million	
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE			
I. In India			
i) Balances with banks			
a) In current accounts	3,676.1	9,595.8	3,589.4
b) In other deposit accounts	40,122.5	36,076.3	44,260.8
ii) Money at call and short notice			
a) With banks	—	70.0	50.0
b) With other institutions	—	—	—
TOTAL	43,798.6	45,742.1	47,900.2
II. Outside India			
i) In current accounts	27,800.6	15,722.1	16,123.9
ii) In other deposit accounts	22,334.2	44,241.2	17,574.7
iii) Money at call and short notice	25,872.6	7,888.6	10,679.2
TOTAL	76,007.4	67,851.9	44,377.8
TOTAL BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE	119,806.0	113,594.0	92,278.0

Schedules forming part of the balance sheet

	At 30.09.2010	At 31.03.2010	At 30.09.2009
		₹ in million	
SCHEDULE 8 - INVESTMENTS			
I. Investments in India [net of provisions]			
i) Government securities	696,585.2	683,991.4	778,358.6
ii) Other approved securities	406.7	45.0	77.7
iii) Shares (includes equity and preference shares)	31,981.5	27,557.4	16,980.2
iv) Debentures and bonds	96,894.9	36,353.9	16,579.0
v) Subsidiaries and/or joint ventures[1]	62,280.9	62,226.8	61,226.8
vi) Others (commercial paper, mutual fund units, pass through certificates, security receipts, certificate of deposits etc.)	385,470.7	307,378.4	230,241.3
TOTAL INVESTMENTS IN INDIA	1,273,619.9	1,117,552.9	1,103,463.6
II. Investments outside India [net of provisions]			
i) Government securities	1,286.0	1,645.0	3,848.9
ii) Subsidiaries and/or joint ventures abroad (includes equity and preference shares)	65,952.0	66,005.0	66,225.7
iii) Others	21,897.2	23,725.1	26,110.0
TOTAL INVESTMENTS OUTSIDE INDIA	89,135.2	91,375.1	96,184.6
TOTAL INVESTMENTS	1,362,755.1	1,208,928.0	1,199,648.2
A. Investments in India			
Gross value of investments	1,288,641.4	1,129,332.4	1,113,671.1
Less: Aggregate of provision/depreciation	15,021.5	11,779.5	10,207.5
Net investments	1,273,619.9	1,117,552.9	1,103,463.6
B. Investments outside India			
Gross value of investments	89,514.3	91,756.7	96,364.6
Less: Aggregate of provision/depreciation	379.1	381.6	180.0
Net investments	89,135.2	91,375.1	96,184.6
TOTAL INVESTMENTS	1,362,755.1	1,208,928.0	1,199,648.2

1. Includes application money amounting to ₹ 50.6 million. (March 31, 2010: ₹ 1,000.0 million; September 30, 2009: Nil.).

Schedules forming part of the balance sheet

	At 30.09.2010	At 31.03.2010	At 30.09.2009
		₹ in million	
SCHEDULE 9 - ADVANCES [net of provisions]			
A. i) Bills purchased and discounted	40,216.8	44,531.6	41,413.7
ii) Cash credits, overdrafts and loans repayable on demand	294,730.5	255,552.3	294,218.7
iii) Term loans	1,515,342.3	1,404,149.2	1,493,253.4
iv) Securitisation, finance lease and hire purchase receivables	91,717.6	107,822.9	79,716.0
TOTAL ADVANCES	1,942,007.2	1,812,056.0	1,908,601.8
B. i) Secured by tangible assets (includes advances against book debts)	1,444,852.8	1,336,426.8	1,366,019.6
ii) Covered by bank/government guarantees	23,676.1	21,202.5	18,375.9
iii) Unsecured	473,478.3	454,426.7	524,206.3
TOTAL ADVANCES	1,942,007.2	1,812,056.0	1,908,601.8
C. I. Advances in India			
i) Priority sector	448,254.6	539,773.9	447,219.2
ii) Public sector	41,193.0	3,201.1	3,263.3
iii) Banks	709.4	41.8	167.1
iv) Others	965,187.1	817,672.5	950,153.6
TOTAL ADVANCES IN INDIA	1,455,344.0	1,360,689.3	1,400,803.2
II. Advances outside India			
i) Due from banks	7,407.6	13,516.0	10,730.1
ii) Due from others			
a) Bills purchased and discounted	22,444.4	15,060.9	20,813.9
b) Commercial loans	346,295.3	206,115.1	264,621.3
c) Others	110,515.8	216,674.7	211,633.3
TOTAL ADVANCES OUTSIDE INDIA	486,663.2	451,366.7	507,798.6
TOTAL ADVANCES	1,942,007.2	1,812,056.0	1,908,601.8

Schedules forming part of the balance sheet

	At 30.09.2010	At 31.03.2010	At 30.09.2009
		₹ in million	
SCHEDULE 10 - FIXED ASSETS			
I. Premises			
At cost at March 31 of preceding year	23,122.4	24,110.3	24,110.3
Additions during the period/year[1]	14,578.4	777.6	478.2
Deductions during the period/year	(525.7)	(1,765.6)	(636.1)
Depreciation to date	(5,235.0)	(4,781.3)	(4,484.9)
Net block1	31,940.1	18,341.0	19,467.5
II. Other fixed assets (including furniture and fixtures)			
At cost at March 31 of preceding year	30,468.3	32,575.6	32,575.5
Additions during the period/year[2]	4,446.6	1,599.7	581.1
Deductions during the period/year	(498.8)	(3,707.0)	(549.3)
Depreciation to date	(21,491.7)	(20,216.4)	(20,487.7)
Net block	12,924.4	10,251.9	12,119.6
III. Assets given on lease			
At cost at March 31 of preceding year	17,550.5	17,751.2	17,751.2
Additions during the period/year	—	—	—
Deductions during the period/year	(3.7)	(200.7)	—
Depreciation to date, accumulated lease adjustment and provisions	(14,603.0)	(14,016.5)	(13,822.6)
Net block	2,943.8	3,534.0	3,928.6
TOTAL FIXED ASSETS	47,808.3	32,126.9	35,515.7

1. Includes assets amounting to Nil (March 31, 2010: ₹ 446.1 million; September 2009: Nil) which are in the process of being sold.
2. Includes assets acquired from erstwhile The Bank of Rajasthan Limited.

	At 30.09.2010	At 31.03.2010	At 30.09.2009
		₹ in million	
SCHEDULE 11 - OTHER ASSETS			
I. Inter-office adjustments (net)	788.1	—	—
II. Interest accrued	37,371.6	32,528.4	37,790.7
III. Tax paid in advance/tax deducted at source (net)	34,925.1	37,793.2	37,846.2
IV. Stationery and stamps	125.8	0.6	0.7
V. Non-banking assets acquired in satisfaction of claims1	796.2	675.0	2,307.1
VI. Others			
a) Advance for capital assets	2,226.1	11,744.5	10,318.1
b) Outstanding fees and other income	8,030.3	5,983.7	4,521.3
c) Deposits	13,898.8	17,976.9	23,196.0
d) Deferred tax asset (net)	24,698.0	20,756.7	19,393.4
e) Others	76,071.3	64,690.3	91,935.8
TOTAL OTHER ASSETS	198,931.3	192,149.3	227,309.3

1. Includes certain non-banking assets acquired in satisfaction of claims which are in the process of being transferred in the Bank's name.

Schedules forming part of the balance sheet

	At 30.09.2010	At 31.03.2010	At 30.09.2009
		₹ in million	
SCHEDULE 12 - CONTINGENT LIABILITIES			
I. Claims against the Bank not acknowledged as debts	31,568.5	33,568.3	32,424.0
II. Liability for partly paid investments	128.1	128.1	128.1
III. Liability on account of outstanding forward exchange contracts	2,175,480.9	1,660,687.2	1,875,350.6
IV. Guarantees given on behalf of constituents			
a) In India	561,840.9	489,280.8	454,124.8
b) Outside India	143,265.1	129,084.6	133,257.1
V. Acceptances, endorsements and other obligations	332,500.4	321,224.1	310,233.8
VI. Currency swaps	491,517.2	524,786.1	601,490.9
VII. Interest rate swaps, currency options and interest rate futures	4,656,320.4	4,012,141.2	3,861,416.1
VIII. Other items for which the Bank is contingently liable	75,839.8	99,940.2	126,626.7
TOTAL CONTINGENT LIABILITIES	8,468,461.3	7,270,840.6	7,395,052.1

Schedules forming part of the profit and loss account

	For the period ended 30.09.2010	Year ended 31.03.2010	For the period ended 30.09.2009
		₹ in million	
SCHEDULE 13 - INTEREST EARNED			
I. Interest/discount on advances/bills	77,277.0	173,727.3	95,795.9
II. Income on investments[1]	35,746.8	64,663.5	32,040.9
III. Interest on balances with Reserve Bank of India and other inter-bank funds	1,803.6	6,249.9	3,864.0
IV. Others[2, 3]	6,389.0	12,428.6	6,203.0
TOTAL INTEREST EARNED	121,216.4	257,069.3	137,903.8

1. Includes amortisation of premium on Government securities ₹ 3,805.9 million (March 31, 2010: ₹ 8,121.5 million, September 30, 2009: ₹ 3,463.2 million).
2. Includes interest on income tax refunds amounting to ₹ 841.3 million (March 31, 2010: ₹ 1,208.3 milion, September 30, 2009: ₹ 722.3 million).
3. Includes interest and amortisation of premium on non-trading interest rate swaps and foreign currency swaps.

Schedules forming part of the profit and loss account

	For the period ended 30.09.2010	Year ended 31.03.2010	For the period ended 30.09.2009
		₹ in million	
SCHEDULE 14 - OTHER INCOME			
I. Commission, exchange and brokerage	26,040.9	48,308.1	23,170.0
II. Profit/(loss) on sale of investments (net)	1,086.9	5,464.2	3,555.0
III. Profit/(loss) on revaluation of investments (net)	(1,458.8)	1,852.2	2,630.3
IV. Profit/(loss) on sale of land, buildings and other assets (net)[1]	445.0	1,345.2	525.0
V. Profit/(loss) on exchange transactions (net)	3,889.7	11,060.5	6,445.7
VI. Income earned by way of dividends, etc. from subsidiary companies and/or joint ventures abroad/in India	2,049.7	3,692.7	1,546.8
VII. Miscellaneous income (including lease income)	531.0	3,053.6	1,263.9
TOTAL OTHER INCOME	32,584.4	74,776.5	39,136.7

1. Includes profit/(loss) on sale of assets given on lease.

	For the period ended 30.09.2010	Year ended 31.03.2010	For the period ended 30.09.2009
		₹ in million	
SCHEDULE 15 - INTEREST EXPENDED			
I. Interest on deposits	47,295.3	115,134.7	66,353.8
II. Interest on Reserve Bank of India/inter-bank borrowings[1]	5,481.5	11,951.3	6,951.4
III. Others (including interest on borrowings of erstwhile ICICI Limited)	26,485.3	48,839.7	24,385.3
TOTAL INTEREST EXPENDED	79,262.1	175,925.7	97,690.5

	For the period ended 30.09.2010	Year ended 31.03.2010	For the period ended 30.09.2009
		₹ in million	
SCHEDULE 16 - OPERATING EXPENSES			
I. Payments to and provisions for employees	11,998.5	19,257.9	9,160.7
II. Rent, taxes and lighting	3,347.3	5,924.3	2,936.6
III. Printing and stationery	453.8	916.0	474.4
IV. Advertisement and publicity	643.8	1,108.0	399.0
V. Depreciation on Bank's property	2,344.4	4,778.5	2,547.4
VI. Depreciation (including lease equalisation) on leased assets	564.0	1,416.5	980.9
VII. Directors' fees, allowances and expenses	2.8	4.2	2.2
VIII. Auditors' fees and expenses	11.3	22.5	11.2
IX. Law charges	348.0	987.4	405.3
X. Postages, telegrams, telephones, etc	765.7	2,007.7	1,153.0
XI. Repairs and maintenance	2,271.4	4,724.6	2,310.2
XII. Insurance	999.4	2,005.6	1,031.2
XIII. Direct marketing agency expenses	712.9	1,254.8	484.0
XIV. Other expenditure	6,075.3	14,190.3	7,809.4
TOTAL OPERATING EXPENSES	30,538.6	58,598.3	29,705.5

Schedules forming part of the profit and loss account

	For the period ended 30.09.2010	Year ended 31.03.2010	For the period ended 30.09.2009
		₹ in million	
SCHEDULE 17 - PROVISIONS AND CONTINGENCIES			
I. Income tax			
- Current period tax	10,087.0	15,977.8	7,938.4
- Deferred tax adjustment	(3,114.0)	(2,804.4)	(1,441.9)
- Fringe benefit tax	—	—	—
II. Wealth tax	15.0	30.0	15.0
TOTAL TAXES	6,988.0	13,203.4	6,511.5
III. Provision for investments (net)	359.7	(26.5)	(388.4)
IV. Provision for advances (net)[1]	13,605.9	43,621.6	24,075.4
V. Others	424.0	273.5	262.5
TOTAL PROVISIONS AND CONTINGENCIES	21,377.6	57,072.0	30,461.0

1. Includes provisions on standard assets, non-performing advances, non-performing leased assets and others.

SCHEDULE 18
SIGNIFICANT ACCOUNTING POLICIES

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 governed by the Banking Regulation Act, 1949.

Basis of preparation

The financial statements have been prepared in accordance with requirements prescribed under the Third Schedule of 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 in India (Indian GAAP), the guidelines issued by Reserve Bank of India (RBI) from time to time, the Accounting Standards (AS) issued by the Institute of Chartered Accountants of India (ICAI) and notified by the Companies (Accounting Standards) Rules, 2006 to the extent applicable and practices generally prevalent in the banking industry in India. The Bank follows the historical cost convention and the accrual method of accounting, except in the case of interest income on non-performing assets (NPAs) where it is recognised upon realisation.

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) at 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 AS 25 - Interim Financial Reporting issued by ICAI.

SIGNIFICANT ACCOUNTING POLICIES

There has been no significant change in the significant accounting policies during the half year ended September 30, 2010 as compared to those followed in the previous year.

SCHEDULE 19
NOTES FORMING PART OF THE ACCOUNTS

The following additional disclosures have been made taking into account the requirements of accounting standards and Reserve Bank of India (RBI) guidelines in this regard.

1. Amalgamation of The Bank of Rajasthan Limited

The Bank of Rajasthan Limited (Bank of Rajasthan), a banking company incorporated under the Companies Act, 1956 and licensed by RBI under the Banking Regulation Act, 1949 was amalgamated with ICICI Bank Limited (ICICI Bank) with effect from close of business of August 12, 2010 in terms of the Scheme of Amalgamation (the Scheme) approved by the Reserve Bank of India vide its order DBOD No. PSBD 2603/16.01.128/2010-11 dated August 12, 2010 under sub section (4) of section 44A of the Banking Regulation Act, 1949. The consideration for the amalgamation was 25 equity shares of ICICI Bank of the face value of ₹ 10/- each fully paid-up for every 118 equity shares of ₹ 10/- each of Bank of Rajasthan. Accordingly, on August 26, 2010, ICICI Bank allotted 31,323,951 equity shares to the shareholders of Bank of Rajasthan and 2,860,170 equity shares have been kept in abeyance pending civil appeal.

ICICI Bank is also a banking company incorporated under the Companies Act, 1956 and licensed by RBI under the Banking Regulation Act, 1949.

As per the Scheme, the undertaking of Bank of Rajasthan including all its assets and liabilities stood transferred/deemed to be transferred to and vested in ICICI Bank as a going concern.

The amalgamation has been accounted for as per the Scheme. Accordingly the assets and liabilities of Bank of Rajasthan have been accounted at the values at which they were appearing in the books of Bank of Rajasthan at August 12, 2010 and provisions were made for the difference between the book values appearing in the books of Bank of Rajasthan and the fair value as determined by ICICI Bank.

In the books of ICICI Bank, an amalgamation expenses provision account was credited by an amount determined for the expenses and costs of the Scheme arising as a direct consequence on account of any changes in the business or operations of Bank of Rajasthan proposed or considered necessary by the Board of Directors of ICICI Bank (including but not limited to rationalisation, upgradation and enhancement of human resources and expenses relating to modifying signage, modifying stationery, branding, changing systems and network, communication including media costs, impairment of technology and fixed assets, conducting general meetings, payment of listing fees and other statutory and regulatory charges, travel in relation to the consolidation contemplated in the Scheme, valuation, due diligence, investment banking expenses and charges relating to preparation of the Scheme, consultations in relation to the consolidation contemplated in the Scheme and training), and other extraordinary expenses on integration and consolidation under the Scheme, to be incurred by ICICI Bank and the balance in such account has been debited to the securities premium account.

Accordingly, the excess of the paid up value of shares issued over the fair value of the net asset acquired (including Statutory Reserves) of ₹ 1,490.9 million and amalgamation expenses of ₹ 690.0 million have been debited to the securities premium account. The computation of this amount is detailed in the table below:

Particulars	Amount	Amount
	₹ in million	
31,323,951 equity shares of face value of ₹ 10/- each	313.2	
2,860,170 equity shares of face value ₹ 10/- each kept in abeyance pending civil appeal	28.6	341.8
Less:		
Net assets of Bank of Rajasthan at August 12, 2010	3,557.2	
Fair value adjustments	(2,703.6)	
Reserves taken over on amalgamation	(2,002.7)	
Total fair value of the net assets acquired (including Statutory Reserves) of Bank of Rajasthan at August 12, 2010		(1,149.1)
Excess of paid-up value of equity shares issued over the fair value of the net assets acquired		1,490.9
Amalgamation expenses		690.0

As per the accounting done for amalgamation in terms of the Scheme, the identity of reserves of Bank of Rajasthan is not required to be preserved in the books of ICICI Bank. However, the balance in Statutory Reserve Account of Bank of Rajasthan at August 12, 2010 has been added to the Statutory Reserves of ICICI Bank. As a result, the balance in Statutory Reserve is higher to the extent of ₹ 2,002.7 million. The excess of the paid up value of shares issued over the fair value of the net asset acquired (including Statutory Reserves) and amalgamation expenses has been debited to the Securities Premium account of ICICI Bank. As a result, the balance in Securities Premium is lower to the extent of ₹ 2,180.9 million.

2. Capital adequacy ratio

The Bank is subject to the capital adequacy norms stipulated by the RBI guidelines on Basel II which became applicable with effect from March 31, 2008. The guidelines require the Bank to maintain a minimum ratio of total capital to risk adjusted assets (CRAR) of 9.0%, with a minimum Tier I capital ratio of 6.0%. Prior to March 31, 2008, the Bank was subject to the capital adequacy norms as stipulated by the RBI guidelines on Basel I.

RBI has stipulated that the minimum capital maintained by banks on adoption of the Basel II framework shall be subject to a prudential floor, which shall be higher of the minimum capital required as per Basel II or a specified percentage of the minimum capital required as per Basel I (80% at September 30, 2010). The computation under Basel II guidelines results in a higher minimum capital requirement as compared to Basel I and hence the capital adequacy at September 30, 2010 has been maintained and reported by the Bank as per Basel II guidelines.

The following table sets forth, for the periods indicated, computation of capital adequacy requirements.

	As per Basel I framework			As per Basel II framework		
	At September 30, 2010	At March 31, 2010	At September 30, 2009	At September 30, 2010	At March 31, 2010	At September 30, 2009
	₹ in million					
Tier I capital	454,518.3	432,614.3	437,821.1	436,547.1	410,615.1	431,416.9
(Of which Lower Tier I)	28,226.2	28,210.0	29,289.5	28,226.2	28,210.0	29,289.5
Tier II capital	221,023.5	181,569.1	148,076.2	204,021.2	160,409.9	141,672.0
(Of which Upper Tier II)	138,554.5	137,912.0	116,996.5	138,554.5	137,912.0	116,996.5
Total capital	675,541.8	614,183.4	585,897.3	640,568.3	571,025.0	573,088.9
Total risk weighted assets	3,515,711.3	3,208,425.4	3,254,756.3	3,166,803.7	2,941,805.8	3,240,321.9
CRAR (%)	19.21%	19.14%	18.00%	20.23%	19.41%	17.69%
CRAR — Tier I capital (%)	12.93%	13.48%	13.45%	13.79%	13.96%	13.32%
CRAR — Tier II capital (%)	6.28%	5.66%	4.55%	6.44%	5.45%	4.37%
Amount raised by issue of Innovative Perpetual Debt Instruments (IPDI) during the period/year	—	—	—	—	—	—
Amount of subordinated debt raised as Tier I capital/Tier II capital during the period /year	39,790.0	62,000.0	25,000.0	39,790.0	62,000.0	25,000.0

3. Business/information ratios

The following table sets forth, for the periods indicated, the business/information ratios.

		Half year ended September 30, 2010	Year ended March 31, 2010	Half year ended September 30, 2009
(i)	Interest income to working funds[1]	6.58%	7.19%	7.61%
(ii)	Non-interest income to working funds[1]	1.77%	2.09%	2.16%
(iii)	Operating profit to working funds[1]	2.39%	2.72%	2.74%
(iv)	Return on assets[2]	1.23%	1.13%	1.06%
(v)	Profit per employee (₹ in million)[3]	1.0	0.9	0.8
(vi)	Business per employee (average deposits plus average advances)[3, 4] (₹ in million)	76.5	76.5	74.3

1. For the purpose of computing the ratio, working funds represent the average of total assets as reported in Form X 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.
3. The number of employees includes sales executives, employees on fixed term contracts and interns.
4. For the purpose of computing the ratio, deposits and advances are the total deposits and total advances as reported to RBI in Form A under Section 42(2) of the Reserve Bank of India Act, 1934. The average deposits and the average advances represent the simple average of the figures reported in Form A to RBI under Section 42(2) of the Reserve Bank of India Act, 1934.

4. Information about business and geographical segments

Business Segments

Pursuant to the guidelines issued by RBI on Accounting Standard 17 — (Segment Reporting) - Enhancement of Disclosures dated April 18, 2007, effective from year ended March 31, 2008, the following business segments have been reported.

- Retail Banking includes exposures which satisfy the four criteria of orientation, product, granularity and low value of individual exposures for retail exposures laid down in Basel Committee on Banking Supervision document "International Convergence of Capital Measurement and Capital Standards: A Revised Framework".
- Wholesale Banking includes all advances to trusts, partnership firms, companies and statutory bodies, which are not included under Retail Banking.
- Treasury includes the entire investment portfolio of the Bank.
- Other Banking includes hire purchase and leasing operations and other items not attributable to any particular business segment.

Income, expenses, assets and liabilities are either specifically identified with individual segments or are allocated to segments on a systematic basis.

All liabilities are transfer priced to a central treasury unit, which pools all funds and lends to the business units at appropriate rates based on the relevant maturity of assets being funded after adjusting for regulatory reserve requirements.

The following tables set forth, for the periods indicated, the business segment results on this basis.

	Particulars	Half year ended September 30, 2010				
		Retail Banking	Wholesale Banking	Treasury	Other Banking Business	Total
				₹ in million		
1	Revenue	77,715.6	88,400.7	111,161.4	2,044.8	279,322.5
2	Less: Inter-segment revenue					125,521.7
3	Total revenue (1) - (2)					153,800.8
4	Segment results	(3,340.7)	21,405.2	10,871.2	674.8	29,610.5
5	Unallocated expenses					—
6	Income tax expenses (net of deferred tax credit)					6,988.0
7	Net Profit (4) - (5) - (6)					22,622.5
8	Segment assets	669,179.8	1,380,770.3	1,776,646.7	12,406.4	3,839,003.2
9	Unallocated assets[1]					60,976.8
10	Total assets (8) + (9)					3,899,980.0
11	Segment liabilities	1,390,899.7	929,083.5	1,573,117.1[2]	5,159.0	3,898,259.3
12	Unallocated liabilities					1,720.7
13	Total liabilities (11) + (12)					3,899,980.0
14	Capital expenditure	9,928.2	8,813.4	165.7	117.6	19,025.0
15	Depreciation	1,697.8	628.1	1.5	580.9	2,908.4

1. Includes tax paid in advance/tax deducted at source (net) and deferred tax asset (net).

2. Includes share capital and reserves and surplus.

	Particulars	For the year ended March 31, 2010				
		Retail Banking	Wholesale Banking	Treasury	Other Banking Business	Total
				₹ in million		
1	Revenue	177,244.1	192,541.3	247,978.0	4,375.7	622,139.1
2	Less: Inter-segment revenue					290,293.3
3	Total revenue (1) - (2)					331,845.8
4	Segment results	(13,335.1)	36,451.0	27,886.4	2,450.9	53,453.2
5	Unallocated expenses					—
6	Income tax expenses (net of deferred tax credit)					13,203.4
7	Net profit (4) - (5) - (6)					40,249.8
8	Segment assets	737,339.9	1,184,314.3	1,642,098.9	10,676.8	3,574,429.9
9	Unallocated assets[1]					59,567.3
10	Total assets (8) + (9)					3,633,997.2
11	Segment liabilities	1,186,393.0	915,021.2	1,525,898.6[2]	5,970.5	3,633,283.3
12	Unallocated liabilities					713.9
13	Total liabilities (11) + (12)					3,633,997.2
14	Capital expenditure	1,721.0	635.8	2.9	17.6	2,377.3
15	Depreciation	3,749.0	996.4	16.3	1,433.3	6,195.0

1. Includes tax paid in advance/tax deducted at source (net) and deferred tax asset (net).

2. Includes share capital and reserves and surplus.

	Particulars	Half year ended September 30, 2009 Retail Banking	Wholesale Banking	Treasury	Other Banking Business	Total
				₹ in million		
1	Revenue	94,332.6	106,351.6	137,670.1	2,391.2	340,745.5
2	Less: Inter-segment revenue					163,705.0
3	Total revenue (1) - (2)					177,040.5
4	Segment results	(7,592.2)	15,256.3	16,977.0	1,053.9	25,695.0
5	Unallocated expenses					—
6	Income tax expenses (net of deferred tax credit)					6,511.5
7	Net profit (4) - (5) - (6)					19,183.5
8	Segment assets	795,186.6	1,243,075.1	1,553,419.8	11,852.3	3,603,533.8
9	Unallocated assets[1]					60,207.6
10	Total assets (8) + (9)					3,663,741.4
11	Segment liabilities	1,155,459.9	915,800.5	1,580,798.3[2]	5,786.7	3,657,845.4
12	Unallocated liabilities					5,896.0
13	Total liabilities (11) + (12)					3,663,741.4
14	Capital expenditure	693.8	352.4	1.1	12.0	1,059.3
15	Depreciation	1,868.9	659.5	2.2	997.7	3,528.3

1. Includes tax paid in advance/tax deducted at source (net) and deferred tax asset (net).
2. Includes share capital and reserves and surplus.

Geographical segments

The Bank reports its operations under the following geographical segments.

- Domestic operations comprise branches in India
- Foreign operations comprise branches outside India and offshore banking unit in India.

The following tables set forth, for the periods indicated, geographical segmental results.

Revenue	Half year ended September 30, 2010	Year ended March 31, 2010	Half year ended September 30, 2009
		₹ in million	
Domestic operations	136,475.9	287,247.7	149,474.5
Foreign operations	17,324.9	44,598.1	27,566.0
Total	153,800.8	331,845.8	177,040.5

Assets	At September 30, 2010	At March 31, 2010	At September 30, 2009
		₹ in million	
Domestic operations	3,210,869.4	2,963,616.4	2,930,045.5
Foreign operations	629,832.9	611,827.7	676,937.3
Total	3,840,702.3	3,575,444.1	3,606,982.8

	Capital expenditure incurred during			Depreciation provided during		
	Half year ended September 30, 2010	Year ended March 31, 2010	Half year ended September 30, 2009	Half year ended September 30, 2010	Year ended March 31, 2010	Half year ended September 30, 2009
			₹ in million			
Domestic operations	19,016.0	2,341.0	1,049.2	2,891.4	6,147.6	3,502.5
Foreign operations	9.0	36.3	10.1	17.0	47.4	25.8
Total	19,024.9	2,377.3	1,059.3	2,908.4	6,195.0	3,528.3

5. Earnings per share

Basic and diluted earnings per equity share are computed in accordance with AS 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. The diluted earnings per equity share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the period/year.

The following table sets forth, for the periods indicated, the computation of earnings per share.

	Half year ended September 30, 2010	Year ended March 31, 2010	Half year ended September 30, 2009
	₹ in million, except per share data		
Basic			
Weighted average no. of equity shares outstanding	1,124,662,336	1,113,737,557	1,113,328,392
Net profit	22,622.5	40,249.8	19,183.5
Basic earnings per share (₹) (not annualised)	20.11	36.14	17.23
Diluted			
Weighted average no. of equity shares outstanding	1,129,269,688	1,118,224,665	1,117,148,017
Net profit	22,622.5	40,249.8	19,183.5
Diluted earnings per share (₹) (not annualised)	20.03	35.99	17.17
Nominal value per share (₹)	10.00	10.00	10.00

The dilutive impact is due to options granted to employees by the Bank.

6. Maturity pattern

- In compiling the information of maturity pattern, 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 following table sets forth, the maturity pattern of assets and liabilities of the Bank at September 30, 2010.

Maturity buckets	Loans & Advances [2]	Investment securities [2]	Deposits [2]	Borrowings[2,3]	Total foreign currency assets	Total foreign currency liabilities
	₹ in million					
Day 1[1]	8,618.4	156,391.3	55,028.1	6,656.0	60,309.5	25,650.0
2 to 7 days[1]	14,013.5	14,870.1	65,429.0	1,709.2	13,536.2	3,631.1
8 to 14 days[1]	15,963.8	20,434.0	51,604.5	4,131.3	10,149.8	6,362.1
15 to 28 days	28,225.7	86,230.5	64,718.3	7,158.8	13,815.5	13,102.2
29 days to 3 months	114,463.4	92,814.6	244,888.6	77,087.2	29,101.6	86,829.6
3 to 6 months	201,616.8	61,393.6	195,214.8	73,080.5	25,917.8	68,109.1
6 months to 1 year	247,953.5	114,778.5	320,306.0	93,560.2	63,568.3	71,696.4
1 to 3 years	781,068.6	350,225.7	1,160,454.1	282,159.8	223,002.7	251,552.7
3 to 5 years	292,059.3	72,062.9	31,044.4	66,011.9	100,296.9	56,913.5
Above 5 years	238,024.2	393,553.8	42,253.5	358,542.6	152,599.9	109,050.8
Total	1,942,007.2	1,362,755.1	2,230,941.2	970,097.5	692,298.2	692,897.5

1. The aforesaid disclosure is in accordance with the revised maturity buckets as per the RBI circular no. DBOD.BP.BC.22/21.04.018/2009-10 dated July 1, 2009.
2. Includes foreign currency balances.
3. Includes borrowings in the nature of subordinated debts and preference shares as per RBI guidelines vide circular no. DBOD.BP.BC no. 81/21.01.002/2009-10. Includes borrowings in the nature of sub-ordinated debts.

b) The following table sets forth the maturity pattern of assets and liabilities of the Bank at March 31, 2010.

Maturity buckets	Loans & Advances [2]	Investment securities [2]	Deposits [2]	Borrowings[2,3]	Total foreign currency assets	Total foreign currency liabilities
			₹ in million			
Day 1[1]	5,611.1	157,239.2	32,042.0	391.9	35,810.8	18,545.8
2 to 7 days[1]	14,761.9	12,256.1	59,269.5	1,306.2	8,507.6	6,922.2
8 to 14 days[1]	11,134.4	12,895.5	96,406.6	11,072.9	9,116.6	12,425.4
15 to 28 days	20,104.7	74,070.6	50,419.0	11,213.4	17,080.5	18,698.5
29 days to 3 months	131,799.4	98,926.0	265,944.0	80,480.7	38,366.8	78,145.4
3 to 6 months	148,751.8	71,931.7	188,743.9	74,597.9	26,502.9	85,551.5
6 months to 1 year	248,066.9	97,333.9	276,686.1	76,724.4	39,432.1	69,197.5
1 to 3 years	713,445.1	295,899.3	1,030,992.7	302,987.4	218,294.1	223,871.9
3 to 5 years	292,216.2	39,413.6	15,503.1	88,361.1	106,911.0	85,270.9
Above 5 years	226,164.5	348,962.1	4,159.1	295,499.8	153,711.3	82,846.3
Total	1,812,056.0	1,208,928.0	2,020,166.0	942,635.7	653,733.7	681,475.4

1. The aforesaid disclosure is in accordance with the revised maturity buckets as per the RBI circular no. DBOD.BP.BC no.22/21.04.018/2009-10 dated July 1, 2009.
2. Includes foreign currency balances.
3. Includes borrowings in the nature of subordinated debt and preference shares as per RBI guidelines vide circular no. DBOD.BP.BC no. 81/21.01.002/2009-10.

c) The following table sets forth, the maturity pattern of assets and liabilities of the Bank at September 30, 2009.

Maturity buckets	Loans & Advances [2]	Investment securities [2]	Deposits [2]	Borrowings[2,3]	Total foreign currency assets	Total foreign currency liabilities
			₹ in million			
Day 1[1]	7,758.7	288,989.0	39,349.9	122,180.5	40,988.3	13,158.3
2 to 7 days[1]	15,884.5	1,788.2	66,678.4	488.5	7,903.3	9,347.4
8 to 14 days[1]	14,759.8	2,167.4	46,715.6	2,176.6	6,128.2	11,722.9
15 to 28 days	20,854.3	52,578.7	84,478.3	5,979.4	10,738.0	7,884.2
29 days to 3 months	121,975.5	69,788.5	215,839.0	40,760.4	25,895.6	68,048.7
3 to 6 months	169,177.6	70,899.5	316,678.0	71,651.3	24,694.6	85,943.8
6 months to 1 year	223,859.9	108,319.3	301,306.8	118,126.5	37,157.7	114,476.8
1 to 3 years	672,399.4	275,522.2	887,992.0	179,268.1	185,578.0	164,011.7
3 to 5 years	377,043.2	19,310.3	17,526.5	137,856.4	181,671.5	141,097.9
Above 5 years	284,888.9	310,285.1	1,956.0	43,751.4	190,291.5	112,172.0
Total	1,908,601.8	1,199,648.2	1,978,320.5	722,239.1	711,046.7	727,863.7

1. The aforesaid disclosure is in accordance with the revised maturity buckets as per the RBI circular no.DBOD.BP.BC.22/21.04.018/2009-10 dated July 1, 2009.
2. Includes foreign currency balances.
3. Excludes borrowings in the nature of sub-ordinated debt.

7. Related party transactions

The Bank has transactions with its related parties comprising subsidiaries, associates/joint ventures/other related entities, key management personnel and relatives of key management personnel.

Subsidiaries

ICICI Bank UK PLC, ICICI Bank Canada, ICICI Bank Eurasia Limited Liability Company, ICICI Prudential Life Insurance Company Limited[1], ICICI Lombard General Insurance Company Limited[1], ICICI Prudential Asset Management Company Limited[1], ICICI Securities Limited, ICICI Securities Primary Dealership Limited, ICICI Home Finance Company Limited, ICICI Venture Funds Management Company Limited, ICICI International Limited, ICICI Trusteeship Services Limited, ICICI Investment Management Company Limited, ICICI Securities Holdings Inc., ICICI Securities Inc., ICICI Prudential Trust Limited[1], ICICI Wealth Management Inc. (upto December 31, 2009) and ICICI Prudential Pension Funds Management Company Limited.

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1. Jointly controlled entities.

Associates/joint ventures/other related entities

ICICI Equity Fund[1], ICICI Eco-net Internet and Technology Fund[1], ICICI Emerging Sectors Fund[1], ICICI Strategic Investments Fund[1], ICICI Kinfra Limited[1], ICICI West Bengal Infrastructure Development Corporation Limited[1], Financial Inclusion Network & Operations Limited (earlier known as Financial Information Network and Operations Limited), TCW/ICICI Investment Partners LLC, I-Process Services (India) Private Limited, I-Solutions Providers (India) Private Limited, NIIT Institute of Finance, Banking and Insurance Training Limited, ICICI Venture Value Fund[1], Comm Trade Services Limited, Loyalty Solutions & Research Limited[1] (upto March 31, 2010), Transafe Services Limited[1] (upto September 30, 2009), Prize Petroleum Company Limited, ICICI Foundation for Inclusive Growth, Firstsource Solutions Limited (upto December 31, 2009), I-Ven Biotech Limited[1], Rainbow Fund, ICICI Merchant Services Private Limited[2] and Mewar Aanchalik Gramin Bank[3].

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1. Entities consolidated as per Accounting Standard (AS) 21 on 'consolidated financial statements'.
2. With respect to an entity, which has been identified as a related party during the quarter ended December 31, 2009, previous period's comparative figures have not been reported.
3. With respect to an entity, which has been identified as a related party during the quarter ended September 30, 2010, previous period's comparative figures have not been reported.

Key management personnel

Mr. K. V. Kamath[1], Ms. Chanda D. Kochhar, Mr. Sandeep Bakhshi[2], Mr. N. S. Kannan[3], Mr. K. Ramkumar, Mr. Rajiv Sabharwal[4], Mr. Sonjoy Chatterjee[5], Mr. V. Vaidyanathan[1].

Relatives of key management personnel

Ms. Rajalakshmi Kamath[1], Mr. Ajay Kamath[1], Ms. Ajnya Pai[1], Mr. Mohan Kamath[1], Mr. Deepak Kochhar, Mr. Arjun Kochhar, Ms. Aarti Kochhar, Mr. Mahesh Advani, Ms. Varuna Karna, Ms. Sunita R. Advani, Ms. Mona Bakhshi[2], Mr. Sameer Bakhshi[2], Ms. Rangarajan Kumudalakshmi[3], Ms. Aditi Kannan[3], Mr. Narayanan Raghunathan[3], Mr. Narayanan Rangarajan[3], Mr. Narayanan Krishnamachari[3], Ms. Narayanan Sudha[3], Mr. R. Shyam, Ms. R. Suchithra, Mr. K. Jayakumar, Ms. J. Krishnaswamy, Ms. Sangeeta Sabharwal[4], Ms. Ameeta Chatterjee[5], Mr. Somnath Chatterjee[5], Mr. Tarak Nath Chatterjee[5], Ms. Sunaina Chatterjee[5], Ms. Nandini Chatterjee[5], Ms. Jeyashree V.[1], Mr. V. Satyamurthy[1], Mr. V. Krishnamurthy[1], Mr. K. Vembu[1].

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1. Transactions reported upto April 30, 2009.
2. Transactions reported with effect from May 1, 2009 upto July 31, 2010.
3. Transactions reported with effect from May 1, 2009.
4. Transactions reported with effect from June 24, 2010.
5. Transactions reported upto April 30, 2010.

The following were the significant transactions between the Bank and its related parties for the half year ended September 30, 2010. A specific related party transaction is disclosed as a material related party transaction wherever it exceeds 10% of all related party transactions in that category.

Insurance services

During the half year ended September 30, 2010, the Bank paid insurance premium to insurance subsidiaries amounting to ₹ 557.6 million (March 31, 2010: ₹ 1,162.5 million, September 30, 2009: ₹ 603.6 million). The material transaction for the half year ended September 30, 2010 was payment of insurance premium to ICICI Lombard General Insurance Company Limited amounting to ₹ 546.0 million (March 31, 2010: ₹ 1,057.3 million, September 30, 2009: ₹ 603.6 million).

During the half year ended September 30, 2010, the Bank's insurance claims from the insurance subsidiaries amounted to ₹ 471.0 million (March 31, 2010: ₹ 876.1 million, September 30, 2009: ₹ 448.7 million). The material transaction for the half year ended September 30, 2010 was with ICICI Lombard General Insurance Company Limited amounting to ₹ 458.0 million (March 31, 2010: ₹ 823.0 million, September 30, 2009: ₹ 422.7 million).

Fees and commission

During the half year ended September 30, 2010, the Bank received fees from its subsidiaries amounting to ₹ 1,381.6 million (March 31, 2010: ₹ 3,793.9 million, September 30, 2009: ₹ 2,048.5 million), from its associates/joint ventures/other related entities amounting to ₹ 0.4 million (March 31, 2010: ₹ 5.3 million, September 30, 2009: ₹ 2.5 million), from key management personnel amounting to Nil (March 31, 2010: ₹ 0.2 million, September 30, 2009: ₹ 0.2 million) and from relatives of key management personnel amounting to Nil (March 31, 2010: ₹ 0.1 million, September 30, 2009: Nil). The material transactions for the half year ended September 30, 2010 were with ICICI Prudential Life Insurance Company Limited amounting to ₹ 1,006.9 million (March 31, 2010: ₹ 2,708.9 million, September 30, 2009: ₹ 1,419.2 million), ICICI Lombard General Insurance Company Limited amounting to ₹ 128.7 million (March 31, 2010: ₹ 403.5 million, September 30, 2009: ₹ 206.0 million) and with ICICI Securities Limited amounting to ₹ 196.0 million (March 31, 2010: ₹ 437.4 million, September 30, 2009: ₹ 257.3 million).

During the half year ended September 30, 2010, the Bank received commission from its subsidiaries amounting to ₹ 2.7 million (March 31, 2010: ₹ 8.1 million, September 30, 2009: ₹ 4.8 million) and from its associates/joint ventures/other related entities amounting to Nil (March 31, 2010: ₹ 15.4 million, September 30, 2009: ₹ 3.9 million). The material transactions for the half year ended September 30, 2010 were with ICICI Bank UK PLC amounting to ₹ 1.9 million (March 31, 2010: ₹ 0.7 million, September 30, 2009: Nil), ICICI Securities Limited amounting to ₹ 0.7 million (March 31, 2010: ₹ 1.2 million, September 30, 2009: ₹ 0.6 million), ICICI Home Finance Company Limited amounting to Nil (March 31, 2010: ₹ 5.7 million, September 30, 2009: ₹ 3.9 million) and with Firstsource Solutions Limited amounting to Nil (March 31, 2010: ₹ 15.3 million, September 30, 2009: ₹ 3.8 million).

Lease of premises and facilities

During the half year ended September 30, 2010, the Bank recovered from its subsidiaries an amount of ₹ 564.7 million (March 31, 2010: ₹ 1,493.9 million, September 30, 2009: ₹ 797.1 million) and from its associates/joint ventures/other related entities an amount of ₹ 52.2 million (March 31, 2010: ₹ 34.5 million, September 30, 2009: ₹ 0.7 million) for lease of premises, facilities and other administrative costs. The material transactions for the half year ended September 30, 2010 were with ICICI Home Finance Company Limited amounting to ₹ 125.1 million (March 31, 2010: ₹ 484.0 million, September 30, 2009: ₹ 259.7 million), ICICI Securities Limited amounting to ₹ 120.4 million (March 31, 2010: ₹ 231.9 million, September 30, 2009: ₹ 139.7 million), ICICI Prudential Life Insurance Company Limited amounting to ₹ 99.3 million (March 31, 2010: ₹ 203.1 million, September 30, 2009: ₹ 72.2 million), ICICI Lombard General Insurance Company Limited amounting to ₹ 87.4 million (March 31, 2010: ₹ 175.0 million, September 30, 2009: ₹ 76.1 million) and with ICICI Bank UK PLC amounting to ₹ 64.7 million (March 31, 2010: ₹ 263.9 million, September 30, 2009: ₹ 187.2 million).

Secondment of employees

During the half year ended September 30, 2010, the Bank received compensation from its subsidiaries amounting to ₹ 17.0 million (March 31, 2010: ₹ 24.8 million, September 30, 2009: ₹ 11.7 million) and from its associates/joint ventures/other related entities amounting to ₹ 33.0 million (March 31, 2010: ₹ 36.8 million, September 30, 2009: ₹ 7.8 million) for secondment of employees. The material transactions for the half year ended September 30, 2010 were with ICICI Merchant Services Private Limited amounting to ₹ 24.4 million (March 31, 2010: ₹ 22.5 million), ICICI Investment Management Company Limited amounting to

₹ 11.3 million (March 31, 2010: ₹ 11.9 million, September 30, 2009: ₹ 5.0 million), ICICI Securities Limited amounting to ₹ 5.6 million (March 31, 2010: ₹ 13.0 million, September 30, 2009: ₹ 6.5 million) and with ICICI West Bengal Infrastructure Development Corporation Limited amounting to ₹ 5.1 million (March 31, 2010: ₹ 9.8 million, September 30, 2009: ₹ 5.4 million).

Purchase of investments

During the half year ended September 30, 2010, the Bank purchased certain investments from its subsidiaries amounting to ₹ 1,907.5 million (March 31, 2010: ₹ 6,355.0 million, September 30, 2009: ₹ 4,897.8 million). The material transactions for the half year ended September 30, 2010 were with ICICI Securities Primary Dealership Limited amounting to ₹ 1,907.5 million (March 31, 2010: ₹ 5,414.1 million, September 30, 2009: ₹ 4,051.7 million) and with ICICI Prudential Life Insurance Company Limited amounting to Nil (March 31, 2010: ₹ 704.7 million, September 30, 2009: ₹ 604.1 million).

During the half year ended September 30, 2010, the Bank invested in the equity shares, preference shares and bonds of its subsidiaries amounting to Nil (March 31, 2010: ₹ 32.1 million, September 30, 2009: ₹ 32.1 millon) and in its associates/joint ventures/other related entities amounting to Nil (March 31, 2010: ₹ 765.3 million, September 30, 2009: Nil). The material transactions were with ICICI Merchant Services Private Limited amounting to Nil (March 31, 2010: ₹ 755.8 million) and with ICICI Prudential Life Insurance Company Limited amounting to Nil (March 31, 2010: ₹ 32.1 million, September 30, 2009: ₹ 32.1 million).

At March 31, 2010, ICICI Bank had applied for equity shares in ICICI Securites Limited, which were allotted during half year ended September 30, 2010. The amount of application money was ₹ 1.00 billion.

Sale of investments

During the half year ended September 30, 2010, the Bank sold certain investments to its subsidiaries amounting to ₹ 7,399.9 million (March 31, 2010: ₹ 3,646.0 million, September 30, 2009: ₹ 1,052.3 million). The material transactions for the half year ended September 30, 2010 were with ICICI Securities Primary Dealership Limited amounting to ₹ 5,852.6 million (March 31, 2010: ₹ 2,408.8 million, September 30, 2009: ₹ 528.2 million) and with ICICI Prudential Life Insurance Company Limited amounting to ₹ 1,546.2 million (March 31, 2010: ₹ 1,237.2 million, September 30, 2009: ₹ 524.1 million).

Investment in bonds and Certificate of Deposits (CDs) issued by ICICI Bank

During the half year ended September 30, 2010, subsidiaries have invested in bonds issued by the Bank amounting to Nil (March 31, 2010: ₹ 650.0 million, September 30, 2009: ₹ 500.0 million). The material transactions for the half year ended September 30, 2010 were with ICICI Securities Primary Dealership Limited amounting to Nil (March 31, 2010: ₹ 150.0 million, September 30, 2009: Nil) and with ICICI Prudential Life Insurance Company Limited amounting to Nil (March 31, 2010: ₹ 500.0 million, September 30, 2009: ₹ 500.0 million).

During the half year ended September 30, 2010, subsidiaries have invested in CDs issued by the Bank amounting to ₹ 3,001.9 million (March 31, 2010: ₹ 11,173.9 million, September 30, 2009: ₹ 2,968.4 million). The material transactions for the half year ended September 30, 2010 were with ICICI Prudential Life Insurance Company Limited amounting to ₹ 3,001.9 million (March 31, 2010: ₹ 8,131.2 million, September 30, 2009: ₹ 468.4 million) and with ICICI Securities Primary Dealership Limited amounting to Nil (March 31, 2010: ₹ 2,338.6 million, September 30, 2009: ₹ 2,500.0 million).

Redemption/buyback and conversion of investments

During the half year ended September 30, 2010, the Bank received a consideration from its associates/joint ventures/other related entities amounting to ₹ 1,929.3 million (March 31, 2010: ₹ 1,379.9 million, September 30, 2009: ₹ 1,379.9 million) on account of redemption/buyback/ distribution of loss on units/equity shares by associates/joint ventures/other related entities. The material transactions for the half year ended September 30, 2010 were with ICICI Equity Fund ₹ 1,336.9 million (March 31, 2010: Nil, September 30, 2009: Nil), ICICI Emerging Sectors Fund ₹ 389.2 million (March 31, 2010: ₹ 846.4 million, September 30, 2009: ₹ 846.4 million) and with ICICI Eco-net Internet and Technology Fund ₹ 203.2 million (March 31, 2010: ₹ 533.5 million, September 30, 2009: ₹ 533.5 million).

Reimbursement of expenses

During the half year ended September 30, 2010, the Bank reimbursed expenses to ICICI Bank Canada amounting to Nil (March 31, 2010: ₹ 11.7 million, September 30, 2009: ₹ 10.1 million).

Brokerage and fee expenses

During the half year ended September 30, 2010, the Bank paid brokerage/fees to its subsidiaries amounting to ₹ 378.4 million (March 31, 2010: ₹ 865.5 million, September 30, 2009: ₹ 241.9 million) and to its associates/joint ventures/other related entities amounting to ₹ 490.5 million (March 31, 2010: ₹ 1,346.2 million, September 30, 2009: ₹ 737.2 million). The material transactions for the half year ended September 30, 2010 were with ICICI Home Finance Company Limited amounting to ₹ 267.4 million (March 31, 2010: ₹ 608.2 million, September 30, 2009: ₹ 173.2 million), ICICI Merchant Services Private Limited amounting to ₹ 312.8 million (March 31, 2010: ₹ 169.6 million), I-Process Services (India) Private Limited amounting to ₹ 169.2 million (March 31, 2010: ₹ 686.1 million, September 30, 2009: ₹ 420.4 million) and with Loyalty Solutions & Research Limited amounting to Nil (March 31, 2010: ₹ 407.0 million, September 30, 2009: ₹ 261.1 million).

Income on custodial services

During the half year ended September 30, 2010, the Bank recovered custodial charges from its subsidiaries amounting to ₹ 0.8 million (March 31, 2010: ₹ 1.6 million, September 30, 2009: ₹ 0.9 million) and from its associates/joint ventures/other related entities amounting to ₹ 1.4 million (March 31, 2010: ₹ 3.3 million, September 30, 2009: ₹ 1.6 million). The material transactions for the half year ended September 30, 2010 were with ICICI Securities Primary Dealership Limited amounting to ₹ 0.7 million (March 31, 2010: ₹ 1.5 million, September 30, 2009: ₹ 0.8 million), ICICI Emerging Sectors Fund amounting to ₹ 0.5 million (March 31, 2010: ₹ 1.3 million, September 30, 2009: ₹ 0.6 million), ICICI Strategic Investments Fund amounting to ₹ 0.5 million (March 31, 2010: ₹ 1.1 million, September 30, 2009: ₹ 0.5 million) and with ICICI Equity Fund amounting to ₹ 0.3 million (March 31, 2010: ₹ 0.8 million, September 30, 2009: ₹ 0.4 million).

Interest expenses

During the half year ended September 30, 2010, the Bank paid interest to its subsidiaries amounting to ₹ 317.5 million (March 31, 2010: ₹ 902.2 million, September 30, 2009: ₹ 443.3 million), to its associates/joint ventures/other related entities amounting to ₹ 10.1 million (March 31, 2010: ₹ 3.3 million, September 30, 2009: ₹ 1.9 million), to its key management personnel amounting to ₹ 0.2 million (March 31, 2010: ₹ 2.5 million, September 30, 2009: ₹ 0.4 million) and to relatives of key management personnel amounting to ₹ 0.2 million (March 31, 2010: ₹ 1.2 million, September 30, 2009: ₹ 0.7 million). The material transactions for the half year ended September 30, 2010 were with ICICI Prudential Life Insurance Company Limited amounting to ₹ 158.8 million (March 31, 2010: ₹ 420.4 million, September 30, 2009: ₹ 218.7 million), ICICI Securities Limited amounting to ₹ 85.8 million (March 31, 2010: ₹ 159.3 million, September 30, 2009: ₹ 75.3 million) and with ICICI Bank Eurasia Limited Liability Company amounting to ₹ 10.9 million (March 31, 2010: ₹ 146.8 million, September 30, 2009: ₹ 62.5 million).

Interest income

During the half year ended September 30, 2010, the Bank received interest from its subsidiaries amounting to ₹ 783.3 million (March 31, 2010: ₹ 1,588.0 million, September 30, 2009: ₹ 819.7 million), from its associates/joint ventures/other related entities amounting to ₹ 2.4 million (March 31, 2010: ₹ 2.9 million, September 30, 2009: Nil), from its key management personnel amounting to ₹ 0.2 million (March 31, 2010: ₹ 0.5 million, September 30, 2009: ₹ 0.4 million) and from relatives of key management personnel amounting to ₹ 0.3 million (March 31, 2010: ₹ 1.0 million, September 30, 2009: ₹ 0.7 million). The material transactions for the half year ended September 30, 2010 were with ICICI Home Finance Company Limited amounting to ₹ 564.5 million (March 31, 2010: ₹ 913.7 million, September 30, 2009: ₹ 432.3 million) and with ICICI Bank Eurasia Limited Liability Company amounting to ₹ 94.4 million (March 31, 2010: ₹ 351.0 million, September 30, 2009: ₹ 200.4 million).

Other income

The Bank undertakes derivative transactions with its subsidiaries, associates, joint ventures and other related entities. Within the overall position limits, the Bank manages its foreign exchange and interest rate risks arising from these transactions by covering the same in the market.

Upto the quarter ended June 30, 2010, the reported gain/loss on forex and derivative transactions comprised the mark-to-market (MTM) gains/losses of the Bank on the forex and derivative transactions and the realised gains/losses on settled cash flows of forex and derivative transactions during the period. From the period ended September 30, 2010, the gain/loss on forex and derivative transactions reported also includes the revaluation impact of the related matured transactions to more appropriately reflect the impact on the profit and loss account.

During the half year ended September 30, 2010, the net gain of the Bank on forex and derivative transactions for the half year ended September 30, 2010 with subsidiaries was ₹ 1,422.6 million (March 31, 2010: gain of ₹ 568.8 million, September 30, 2009: loss of ₹ 613.5 million) and with its associates/joint ventures/other related entities was Nil (March 31, 2010: loss of ₹ 220.9 million, September 30, 2009: Nil). The material transactions for the half year ended September 30, 2010 were gain of ₹ 1,084.3 million (March 31, 2010: loss of ₹ 1,096.9 million, September 30, 2009: loss of ₹ 1,252.6 million) with ICICI Bank Canada, gain of ₹ 373.2 million (March 31, 2010: gain of ₹ 1,494.5 million, September 30, 2009: gain of ₹ 581.2 million) with ICICI Bank UK PLC, loss of ₹ 56.2 million (March 31, 2010: gain of ₹ 215.8 million, September 30, 2009: gain of ₹ 77.1 million) with ICICI Home Finance Company Limited, gain of ₹ 15.0 million (March 31, 2010: loss of ₹ 50.7 million, September 30, 2009: loss of ₹ 18.6 million) with ICICI Securities Primary Dealership Limited and gain of ₹ 6.3 million (March 31, 2010: gain of ₹ 3.0 million, September 30, 2009: loss of ₹ 0.6 million) with ICICI Bank Eurasia Limited Liability Company. While the Bank within its overall position limits covers these transactions in the market, the above amounts represents only the transactions with its subsidiaries, associates, joint ventures and other related entities and not the offsetting/covering transactions, which generally results in lower net impact on the profit and loss account.

Dividend income

During the half year ended September 30, 2010, the Bank received dividend from its subsidiaries amounting to ₹ 2,049.7 million (March 31, 2010: ₹ 3,692.7 million, September 30, 2009: ₹ 1,546.8 million). The material transactions for the half year ended September 30, 2010 were with ICICI Home Finance Company Limited amounting to ₹ 796.6 million (March 31, 2010: ₹ 934.0 million, September 30, 2009: ₹ 329.6 million), ICICI Securities Limited amounting to ₹ 450.0 million (March 31, 2010: ₹ 920.0 million, September 30, 2009: ₹ 350.0 million), ICICI Securities Primary Dealership Limited amounting to ₹ 101.6 million (March 31, 2010: ₹ 422.1 million, September 30, 2009: ₹ 277.5 million), ICICI Lombard General Insurance Company Limited amounting to ₹ 238.0 million (March 31, 2010: ₹ 476.1 million, September 30, 2009: ₹ 238.0 million), ICICI Venture Funds Management Company Limited amounting to ₹ 210.0 million (March 31, 2010: ₹ 260.0 million, September 30, 2009: ₹ 80.0 million) and with ICICI Prudential Asset Management Company Limited amounting to ₹ 117.0 million (March 31, 2010: ₹ 409.6 million, September 30, 2009: ₹ 135.0 million).

Dividend paid

During the half year ended September 30, 2010, the Bank paid dividend to its key management personnel amounting to ₹ 4.2 million (March 31, 2010: ₹ 4.5 million, September 30, 2009: ₹ 4.5 million). The dividend paid during the half year ended September 30, 2010 to Ms. Chanda D. Kochhar was ₹ 3.2 million (March 31, 2010: ₹ 3.0 million, September 30, 2009: ₹ 3.0 million), to Mr. Sandeep Bakhshi was ₹ 0.04 million (March 31, 2010: ₹ 0.03 million, September 30, 2009: ₹ 0.03 million), to Mr. N. S. Kannan was ₹ 1.0 million (March 31, 2010: ₹ 0.9 million, September 30, 2009: ₹ 0.9 million) to Mr. K. Ramkumar was Nil (March 31, 2010: ₹ 0.2 million, September 30, 2009: ₹ 0.2 million) and to Mr. Sonjoy Chatterjee was Nil (March 31, 2010: ₹ 0.3 million, September 30, 2009: ₹ 0.3 million).

Remuneration to whole-time directors

Remuneration paid to the whole-time directors of the Bank during the half year ended September 30, 2010 was ₹ 41.1 million (March 31, 2010: ₹ 119.4 million, September 30, 2009: ₹ 35.0 million). The remuneration paid for the year ended March 31, 2010 to Mr. K. V. Kamath was ₹ 4.1 million (September 30, 2009 ₹ 4.1 million). The remuneration paid for the half year ended September 30, 2010 to Ms. Chanda D. Kochhar was ₹ 12.9 million (March 31, 2010: ₹ 17.3 million, September 30, 2009 ₹ 7.5 million), to Mr. Sandeep Bakhshi was ₹ 7.1 million (March 31, 2010: ₹ 12.6 million, September 30, 2009 ₹ 5.0 million), to Mr. N. S. Kannan was ₹ 8.0 million (March 31, 2010: ₹ 10.2 million, September 30, 2009 ₹ 4.0 million), to Mr. K. Ramkumar was ₹ 9.0 million [(March 31, 2010: ₹ 53.7 million (includes perquisite value of ₹ 40.6 million on employee stock options (ESOPs) exercised) , September 30, 2009: ₹ 7.4 million)], to Mr. Rajiv

Sabharwal was ₹ 3.1 million and to Mr. Sonjoy Chatterjee was ₹ 1.1 million [(March 31, 2010: ₹ 19.6 million (includes perquisite value of ₹ 7.9 million on ESOPs exercised), September 30, 2009: ₹ 5.0 million)]. The remuneration paid for the year ended March 31, 2010 to Mr. V. Vaidyanathan was ₹ 1.9 million (September 30, 2009: ₹ 1.9 million).

Sale of fixed assets

During the half year ended September 30, 2010, the Bank sold fixed assets to its subsidiaries amounting to ₹ 0.4 million (March 31, 2010: ₹ 574.2 million, September 30, 2009: ₹ 2.8 million). The material transactions for the half year ended September 30, 2010 were with ICICI Securities Limited amounting to ₹ 0.4 million (March 31, 2010: ₹ 2.8 million, September 30, 2009: ₹ 2.8 million) and with ICICI Home Finance Company Limited amounting to Nil (March 31, 2010: ₹ 570.0 million, September 30, 2009: Nil).

Purchase of fixed assets

During the half year ended September 30, 2010, the Bank purchased fixed assets from its subsidiaries amounting to ₹ 0.7 million (March 31, 2010: ₹ 21.3 million, September 30, 2009: Nil). The material transactions for the half year ended September 30, 2010 were with ICICI Prudential Asset Management Company Limited amounting to ₹ 0.7 million (March 31, 2010: ₹ 0.5 million, September 30, 2009: Nil) and with ICICI Securities Limited amounting to Nil (March 31, 2010: ₹ 19.2 million, September 30, 2009: Nil).

Donation

During the half year ended September 30, 2010, the Bank has given donation to ICICI Foundation for Inclusive Growth amounting to ₹ 61.0 million (March 31, 2010: ₹ 153.0 million, September 30, 2009: Nil).

Purchases of Loan

During the half year ended September 30, 2010, the Bank has purchased a loan from ICICI Bank UK PLC amounting to ₹ 693.9 million (March 31, 2010: Nil, September 30, 2009: Nil).

Transfer of merchant acquiring operations

During the year ended March 31, 2010, the Bank and First Data, a company engaged in electronic commerce and payment services, formed a merchant acquiring alliance and a new entity, 81% owned by First Data, was formed, which has acquired ICICI Bank's merchant acquiring operations through transfer of assets, primarily comprising fixed assets and receivables, and assumption of liabilities, for a total consideration of ₹ 3,744.0 million. This transfer of assets and liabilities to the new entity would be considered a 'slump sale' for tax purposes. The Bank realised a profit of ₹ 2,029.0 million from this transaction, which was included in Schedule 14 — "Other income" for the year ended March 31, 2010.

Letters of Comfort

The Bank has issued letters of comfort on behalf of its banking subsidiaries, ICICI Bank UK PLC and ICICI Bank Canada. The details of the letters are given below.

On behalf of	To	Purpose
ICICI Bank UK PLC	Financial Services Authority, UK ('FSA')	Financially support ICICI Bank UK PLC to ensure that it meets all of its obligations as they fall due.
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.

The Bank has issued an undertaking on behalf of ICICI Securities Inc. for Singapore dollar 10.0 million (₹ 341.5 million) to the Monetary Authority of Singapore (MAS) that is included in the contingent liabilities.

In addition to the above, the Bank has also issued letters of comfort in the nature of letters of awareness on behalf of banking and non-banking subsidiaries in respect of their borrowings made or proposed to be made and for other incidental business purposes. As they are in the nature of factual statements or confirmation of facts, they do not create any financial impact on the Bank. The letters of comfort that are outstanding at September 30, 2010 aggregate to ₹ 52,924.9 million (March 31, 2010: ₹ 76,408.0 million, September 30, 2009: ₹ 171,030.1 million). The amount of reduction in outstanding during the half year ended September 30, 2010 amounted to ₹ 23,483.1 million.

As advised by RBI, the Bank has also provided additional capital of ₹ 2,321.0 million (March 31, 2010: ₹ 3,312.4 million, September 30, 2009: ₹ 3,803.7 million) on the letters of comfort that are in the nature of letters of awareness issued on behalf of its subsidiaries for their borrowing programs.

Related party balances

The following table sets forth, the balance payable to/receivable from subsidiaries/joint ventures/associates/other related entities/key management personnel and relatives of key management personnel at September 30, 2010.

Items/Related party	Subsidiaries	Associates/ joint ventures/other related entities	Key Management Personnel	Relatives of Key Management Personnel	Total
			₹ in million		
Deposits with ICICI Bank	10,416.9	1,330.8	24.8	13.1	11,785.6
Deposits of ICICI Bank	20.9	—	—	—	20.9
Call/term money lent	2,246.8	—	—	—	2,246.8
Call/term money borrowed	224.7	—	—	—	224.7
Advances	13,712.6	42.5	10.2	7.9	13,773.2
Investments of ICICI Bank	132,602.9	8,427.0	—	—	141,029.9
Investments of related parties in ICICI Bank	442.2	15.0	3.5	—	460.7
Receivables[1]	1,433.2	85.8	0	0	1,519.0
Payables[1]	30.5	9.6	—	—	40.1
Guarantees/ lines of credit	2,497.1	0.1	—	—	2,497.2
Swaps/forward contracts (notional amount)	292,635.9	—	—	—	292,635.9
Employee stock options outstanding (Nos.)	—	—	1,563,000	—	1,563,000
Employee stock options exercised[2]	—	—	—	—	—

1. Excludes mark-to-market on outstanding derivative transactions.
2. During the half year ended September 30, 2010, no employee stock options were exercised.

The following table sets forth, the maximum balance payable to/receivable from subsidiaries/joint ventures/associates/other related entities/key management personnel and relatives of key management personnel during the half year ended September 30, 2010.

Items/Related party	Subsidiaries	Associates/joint ventures/other related entities	Key Management Personnel	Relatives of Key Management Personnel	Total
			₹ in million		
Deposits with ICICI Bank................	13,241.6	2,285.9	37.0	21.2	15,585.7
Deposits of ICICI Bank	35.9	—	—	—	35.9
Call/term money lent........................	5,322.3	—	—	—	5,322.3
Call/term money borrowed...............	2,990.0	—	—	—	2,990.0
Advances	17,615.7	42.5	11.1	8.1	17,677.4
Investments of ICICI Bank	132,788.7	10,358.1	—	—	143,146.8
Investments of related parties in ICICI Bank	564.6[1]	15.0	3.5	—	583.1
Receivables......................................	4,223.4	261.3[1]	—	—	4,484.7
Payables...	461.3[1]	17.7[1]	—	—	479.0
Guarantees/ lines of credit	2,634.7	0.1	—	—	2,634.8
Swaps/forward contracts (notional amount)	305,497.6	—	—	—	305,497.6

1. Maximum balances are determined based on comparison of the total outstanding balances at each quarter end during the financial year.

The following table sets forth, the balance payable to/receivable from subsidiaries/joint ventures/associates/other related entities/key management personnel and relatives of key management personnel at March 31, 2010.

Items/Related party	Subsidiaries	Associates/joint ventures/other related entities	Key Management Personnel	Relatives of Key Management Personnel	Total
			₹ in million		
Deposits with ICICI Bank................	15,564.7	357.2	32.9	15.8	15,970.6
Deposits of ICICI Bank	17.6	—	—	—	17.6
Call/term money lent........................	4,041.0	—	—	—	4,041.0
Call/term money borrowed...............	2,245.0	—	—	—	2,245.0
Advances	13,724.0	42.5	6.7	8.1	13,781.3
Investments of ICICI Bank	132,687.9	10,358.1	—	—	143,046.0
Investments of related parties in ICICI Bank	1,121.0	—	3.6	—	1,124.6
Receivables......................................	1,784.7[1]	286.2	—	—	2,070.9
Payables...	859.7	341.1	—	—	1,200.8
Guarantees/ lines of credit	1,029.0	0.1	—	—	1,029.1
Swaps/forward contracts (notional amount)	261,038.4	—	—	—	261,038.4
Employee stock options outstanding (Nos.)...	—	—	1,254,250	—	1,254,250
Employee stock options exercised[2] ..	—	—	46.3	—	46.3

1. Excludes mark-to-market on outstanding derivative transactions.
2. During the year ended March 31, 2010, 121,875 employee stock options were exercised.

The following table sets forth, the maximum balance payable to/receivable from subsidiaries/joint ventures/associates/other related entities/key management personnel and relatives of key management personnel during the year ended March 31, 2010.

Items/Related party	Subsidiaries	Associates/joint ventures/other related entities	Key Management Personnel	Relatives of Key Management Personnel	Total
			₹ in million		
Deposits with ICICI Bank	16,899.9	734.2	60.2	23.2	17,717.5
Deposits of ICICI Bank	1,589.9	—	—	—	1,589.9
Call/term money lent	11,291.6	—	—	—	11,291.6
Call/term money borrowed	7,079.7	—	—	—	7,079.7
Advances	19,494.4	208.3	26.1	12.2	19,741.0
Investments of ICICI Bank	132,687.9	12,159.2	—	—	144,847.1
Investments of related parties in ICICI Bank	2,043.0[1]	—	9.1	0.3	2,052.4
Receivables	4,737.0	464.0[1]	—	—	5,201.0
Payables	1,850.8[1]	341.1[1]	—	—	2,191.9
Guarantees/ lines of credit	4,226.5	2,390.0	—	—	6,616.5
Swaps/forward contracts (notional amount)	647,121.7	3,878.9	—	—	651,000.6

1. Maximum balances are determined based on comparison of the total outstanding balances at each quarter end during the financial year.

The balances payable to/receivable from subsidiaries/joint ventures/associates/other related entities/key management personnel and relatives of key management personnel at September 30, 2009 are given below.

Items/Related party	Subsidiaries	Associates/joint ventures/other related entities	Key Management Personnel	Relatives of Key Management Personnel	Total
			₹ in million		
Deposits with ICICI Bank	10,624.4	202.1	40.0	24.2	10,890.7
Deposits of ICICI Bank	15.7	—	—	—	15.7
Call/term money lent	4,088.9	—	—	—	4,088.9
Call/term money borrowed	3,607.9	—	—	—	3,607.9
Advances	15,750.5	42.5	7.5	10.9	15,811.4
Investments of ICICI Bank	132,106.8	10,654.3	—	—	142,761.1
Investments of related parties in ICICI Bank	1,950.3	—	9.1	0.3	1,959.7
Receivables	2,877.9	239.2	—	—	3,117.1
Payables	293.6	149.8	—	—	443.4
Guarantees/ lines of credit	3,374.1	1,965.6	—	—	5,339.7
Swaps/forward contracts (notional amount)	309,555.3	—	—	—	309,555.3
Employee stock options outstanding (Nos.)	—	—	2,964,625	—	2,964,625
Employee stock options exercised[1]	—	—	11.8	—	11.8

1. During the half year ended September 30, 2009, 36,500 employee stock options were exercised.

The maximum balance payable to/receivable from subsidiaries/joint ventures/associates/other related entities/key management personnel and relatives of key management personnel during the half year ended September 30, 2009 is given below.

Items/Related party	Subsidiaries	Associates/joint ventures/other related entities	Key Management Personnel	Relatives of Key Management Personnel	Total
			₹ in million		
Deposits with ICICI Bank	16,276.1	596.4	58.1	24.2	16,954.8
Deposits of ICICI Bank	283.8	—	—	—	283.8
Call/term money lent	11,291.6	—	—	—	11,291.6
Call/term money borrowed	5,982.4	—	—	—	5,982.4
Advances	19,291.5	42.5	26.2	11.9	19,372.1
Investments of ICICI Bank	132,106.8	12,034.2	—	—	144,141.0
Investments of related parties in ICICI Bank	1,950.3[1]	—	9.1	0.3	1,959.7
Receivables	2,877.9	333.9[1]	—	—	3,211.8
Payables	291.3[1]	223.8[1]	—	—	515.1
Guarantees/ lines of credit	3,894.9	2,081.9	—	—	5,976.8
Swaps/forward contracts (notional amount)	532,133.8	—	—	—	532,133.8

1. Maximum balances are determined based on comparison of the total outstanding balances at each quarter end during the financial year.

8. Securitisation

The Bank sells loans through securitisation and direct assignment. The following tables set forth, for the periods indicated the information on securitisation and direct assignment activity of the Bank as an originator.

	Half year ended September 30, 2010	Year ended March 31, 2010	Half year ended September 30, 2009
	₹ in million, except number of loans securitised		
Total number of loan assets securitised	—	33	15
Total book value of loan assets securitised	—	81,309.4	40,300.0
Sale consideration received for the securitised assets	—	81,493.7	40,398.7
Net gain/(loss) on account of securitisation[1]	(2,212.8)	(5,093.8)	(2,291.5)

1. Includes loss booked upfront on sales during the year, gain/(loss) on deal closures, gain amortised during the period/year and expenses relating to utilisation of credit enhancement.

	At September 30, 2010	At March 31, 2010	At September 30, 2009
		₹ in million	
Outstanding credit enhancement (funded)	7,134.4	9,987.3	13,158.1
Outstanding liquidity facility	1,823.6	3,196.9	4,878.3
Net outstanding servicing asset/(liability)	79.3	225.7	445.3
Outstanding subordinate contributions	6,843.7	7,424.3	8,368.3

The outstanding credit enhancement in the form of guarantees amounted to ₹ 17,786.4 million at September 30, 2010 (March 31, 2010: ₹ 19,920.0 million, September 30, 2009: ₹ 22,717.8 million).

Outstanding credit enhancement in the form of guarantees for third party originated securitisation transactions amounted to ₹ 7,329.2 million at September 30, 2010 (March 31, 2010: ₹ 6,442.0 million, September 30, 2009: ₹ 4,786.5 million) and outstanding liquidity facility for third party originated securitisation transactions amounted to Nil at September 30, 2010 (March 31, 2010: ₹ 0.2 million, September 30, 2009: ₹ 0.5 million).

The following table sets forth, for the periods indicated, the details of provision created at the time of securitisation.

Particulars	At September 30, 2010	Year ended March 31, 2010	At September 30, 2009
		₹ in million	
Opening balance	2,253.8	5,567.2	5,567.2
Add: Additions during the period	312.8	1,038.4	161.9
Less: Deductions during the period	1,092.2	4,351.8	1,640.7
Closing balance	1,474.4	2,253.8	4,088.4

9. Repurchase transactions

Till March 31, 2010, the Bank used to account for market repurchase and reverse repurchase transactions in government securities and corporate debt securities, if any, as "sale and repurchase" transactions. However, as per RBI circular no. RBI/2009-2010/356 IDMD/ 4135/11.08.43/2009-10 dated March 23, 2010, the Bank has started accounting for such transactions as "borrowing and lending" transactions, effective April 1, 2010.

The following table sets forth, for the periods indicated, the details of securities sold and purchased under repo and reverse repo.

	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	Outstanding
		₹ in million		
Half year ended September 30, 2010				
Securities sold under Repo				
i. Government Securities	1.5	214,553.6	51,983.0	1.5
ii. Corporate Debt Securities	—	—	—	—
Securities purchased under Reverse Repo				
i. Government Securities	168.4	7,817.1	437.2	485.3
ii. Corporate Debt Securities	—	—	—	—
Year ended March 31, 2010				
Securities sold under Repo				
i. Government Securities	7.6	294,964.7	153,396.0	27,194.4
ii. Corporate Debt Securities	—	—	—	—
Securities purchased under Reverse Repo				
i. Government Securities	—	827.8	233.5	84.2
ii. Corporate Debt Securities	—	—	—	—
Half year ended September 30, 2009				
Securities sold under Repo				
i. Government Securities	20,601.4	294,955.7	159,469.3	24,678.0
ii. Corporate Debt Securities	—	—	—	—
Securities purchased under Reverse Repo				
i. Government Securities	—	601.9	167.0	541.0
ii. Corporate Debt Securities	—	—	—	—

1. The above figures do not include securities sold and purchased under Liquidity Adjustment Facility (LAF) of RBI.
2. Amounts reported are based on face value of securities under repo and reverse repo.

10. Appropriation of net profit

The Bank appropriates net profit towards various reserves only at year-end. For half year ended September 30, 2010, appropriations required as per RBI guidelines would have been ₹ 5,655.6 million towards statutory reserves, ₹ 374.7 million towards capital reserves and ₹ 1,151.5 million towards investment reserve account.

11. Advances

The following table sets forth, for the periods indicated, the details of movement of gross non-performing assets (NPAs), net NPAs and provisions.

Particulars	Half year ended September 30, 2010	Year ended March 31, 2010	Half year ended September 30, 2009
		₹ in million	
i) Net NPAs (funded) to net advances (%)	1.62%	2.12%	2.36%
ii) Movement of NPAs (Gross)			
a) Opening balance[1]	94,806.5	96,493.1	96,493.1
b) Additions during the period/year[2,3,4]	19,389.8	64,168.9	38,632.7
c) Reductions during the period/year[2]	(12,784.7)	(65,855.5)	(43,116.9)
d) Closing balance[1]	101,411.6	94,806.5	92,008.9
iii) Movement of Net NPAs			
a) Opening balance[1]	38,411.1	45,539.4	45,539.4
b) Additions during the period/year[2,3,4]	11,952.2	36,666.5	26,795.2
c) Reductions during the period/year[2]	(18,911.0)	(43,794.8)	(27,344.1)
d) Closing balance[1]	31,452.3	38,411.1	44,990.5
iv) Movement of provisions for NPAs (excluding provision on standard assets)			
a) Opening balance[1]	56,395.4	50,953.7	50,953.7
b) Provisions made during the period/ year[4,5]	17,302.7	43,181.4	21,563.4
c) Write-off/write-back of excess provisions	(3,738.8)	(37,739.7)	(25,498.7)
d) Closing balance[1]	69,959.3	56,395.4	47,018.4

1. Net of write-off.
2. Includes cases added to and deleted from NPAs during the half year ended September 30, 2010, with such gross loans amounting to ₹ 980.2 million (March 31, 2010: ₹ 9,970.7 million and September 30, 2009: ₹ 2,041.6 million) and such net loans amounting to ₹ 849.5 million (March 31, 2010: ₹ 8,716.8 million and 1,788.5 million).
3. Till year ended March 31, 2010, the difference between the opening and closing balances (other than accounts written off during the period) of NPAs in retail loans was included in additions during the period. From quarter ended June 30, 2010, the bifurcation between additions and deletions is made except for the NPAs in credit cards. For NPAs in credit cards, the difference between the opening and closing balances (other than accounts written off during the period) is included in additions during the period. The previous period amounts have been reclassified accordingly.
4. Includes NPAs acquired on account of amalgamation of Bank of Rajasthan.
5. Till year ended March 31, 2010, the difference between the opening and closing balances of provisions (adjusted for write-off and sale of NPAs during period) in retail loans was included in provisions made during the period/year from quarter ended on June 30, 2010, the bifurcation between provision made and write back of excess provision is made except for the NPAs in credit cards. For NPAs in credit cards, the difference between the opening and closing balances (adjusted for write-off and sale of NPAs during period) is included in additions during the period. The previous period/year amounts have been reclassified accordingly.

12. Financial assets transferred during the period/year to securitisation company (SC)/reconstruction company (RC)

The Bank has transferred certain assets to Asset Reconstruction Companies (ARCs) 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 trusts managed by ARCs, the security receipts are valued at their respective NAVs as advised by the ARCs.

The following table sets forth, for the periods indicated, the details of the assets transferred.

	Half year ended September 30, 2010	Year ended March 31, 2010	Half year ended September 30, 2009
	₹ in million, except number of accounts		
No. of accounts	—	55,160[1]	55,160[1]
Aggregate value (net of provisions) of accounts sold to SC/RC	—	7,617.9	7,617.9
Aggregate consideration	—	7,866.7	7,866.7
Additional consideration realised in respect of accounts transferred in earlier years [2]	—	—	—
Aggregate gain/(loss) over net book value	—	248.8	248.8

1. Excludes accounts previously written-off.
2. During the half year ended September 30, 2010, Asset Reconstruction Company (India) Limited (ARCIL) has not fully redeemed any of the security receipts. The Bank realised Nil over the gross book value in respect of these trusts (March 31, 2010: ₹ 89.8 million).

13. Provision on standard assets

The Bank makes provision on standard assets as per RBI guidelines. The Bank has adopted the revised rates for making provision on standard assets during the half year ended September 30, 2010, in accordance with RBI circular no. DBOD.BP.BC.58/ 21.04.048/2009-10 dated November 5, 2009.

The Bank has not written back any standard asset provision pursuant to the RBI circular no. DBOD.BP.BC.83/21.01.002/2008-09 dated November 15, 2008. The provision on standard assets held by the Bank at September 30, 2010 (including ₹ 434.8 million on account of amalgamation of Bank of Rajasthan) was ₹ 14,795.4 million (March 31, 2010: ₹ 14,360.6 million; September 30, 2010: ₹ 14,360.6 million).

14. Information in respect of restructured assets

The following table sets forth, for the periods indicated, details of loan assets subjected to restructuring.

		Half year ended September 30, 2010			Half year ended September 30, 2009		
		CDR Mechanism	SME Debt Restructuring	Others	CDR Mechanism	SME Debt Restructuring	Others
		₹ in million					
Standard advances restructured.....	Number of borrowers	—	1	53	8	6	943
	Amount outstanding	—	75.3	4,529.9	10,215.2	210.7	33,328.0
	of which restructured amount	—	74.5	4,231.3	9,839.3	112.6	32,084.9
	Sacrifice (diminution in the fair value)	—	—	549.3	653.2	1.9	1,364.0
Sub standard advances restructured.....	Number of borrowers	—	—	1	1	—	38
	Amount outstanding	—	—	21.2	113.9	—	175.0
	of which restructured amount	—	—	22.3	113.1	—	155.4
	Sacrifice (diminution in the fair value)	—	—	—	9.4	—	7.9
Doubtful advances restructured.....	Number of borrowers	—	—	1	—	—	1
	Amount outstanding	—	—	103.7	—	—	0.7
	of which restructured amount	—	—	99.9	—	—	0.7
	Sacrifice (diminution in the fair value)	—	—	—	—	—	—
Total	Number of borrowers	—	1	55	9	6	982
	Amount outstanding	—	75.3	4,654.8	10,329.1	210.7	33,503.7
	of which restructured amount	—	74.5	4,353.5	9,952.4	112.6	32,241.0
	Sacrifice (diminution in the fair value)	—	—	549.3	662.6	1.9	1,371.9

1. The aforesaid disclosure for the half year ended September 30, 2010, includes the reversal of interest income of ₹ 134.7 million (for the half year ended September 30, 2009, ₹ 608.1 million) on account of conversion of overdue interest into Funded Interest Term Loan (FITL).
2. The aforesaid disclosure excludes the reversal of derivative income of nil (for the half year ended September 30, 2009, ₹ 303.1 million) on account of conversion of derivative receivables into term loan/preference shares.
3. Includes eight borrowal accounts restructured for a second time with asset classification benefit upto June 30, 2009, amounting to ₹ 24,280.8 million against which sacrifice (diminution in fair value) was ₹ 1,498.1 million.

		Year ended March 31, 2010		
		CDR Mechanism	SME Debt Restructuring	Others
		₹ in million		
Standard advances restructured	Number of borrowers	11	11	3,806
	Amount outstanding	14,186.6	397.6	40,918.8
	of which restructured amount	12,444.3	251.4	39,248.4
	Sacrifice (diminution in the fair value)	1,006.0	4.8	1,406.5
Sub standard advances restructured	Number of borrowers	3	1	98
	Amount outstanding	640.2	77.8	288.2
	of which restructured amount	624.3	77.8	244.9
	Sacrifice (diminution in the fair value)	80.7	5.9	8.7
Doubtful advances restructured	Number of borrowers	—	—	3
	Amount outstanding	—	—	207.2
	of which restructured amount	—	—	187.8
	Sacrifice (diminution in the fair value)	—	—	17.5
Total	Number of borrowers	14	12	3,907
	Amount outstanding	14,826.8	475.4	41,414.2
	of which restructured amount	13,068.7	329.2	39,681.0
	Sacrifice (diminution in the fair value)	1,086.6	10.8	1,432.7

1. The above disclosure for the year ended March 31, 2010, includes the reversal of interest income of ₹ 704.3 million on account of conversion of overdue interest into Funded Interest Term Loan (FITL).
2. The aforesaid disclosure excludes the reversal of derivative income of ₹ 303.1 million during the year ended March 31, 2010 on account of conversion of derivative receivables into term loan/preference shares.
3. Includes eight borrowal accounts restructured for a second time with asset classification benefit upto June 30, 2009, amounting to ₹ 24,280.8 million against which sacrifice (diminution in fair value) is ₹ 1,498.1 million.

15. Details of non-performing assets purchased/sold, excluding those sold to SC/RC

The Bank has not purchased any non-performing assets in terms of the guidelines issued by the Reserve Bank of India circular no. DBOD.No.BP.BC.16/21.04.048/2005-06 dated July 13, 2005.

The Bank has sold certain 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 following table sets forth, for the periods indicated, details of non-performing assets sold, excluding those sold to SC/RC.

Particulars	Half year ended September 30, 2010	Year ended March 31, 2010	Half year ended September 30, 2009
	₹ in million, except no. of accounts		
No. of accounts	—	7,428[1]	7,428[1]
Aggregate value (net of provisions) of accounts sold, excluding those sold to SC/RC	—	479.0	479.0
Aggregate consideration	—	463.6	463.6
Aggregate gain/(loss) over net book value	—	(15.4)	(15.4)

1. Excludes accounts previously written off.

16. Deferred tax

At September 30, 2010, the Bank has recorded net deferred tax asset of ₹ 24,698.0 million (March 31, 2010: ₹ 20,756.7 million, September 30, 2009: ₹ 19,393.4 million), which has been included in other assets.

The following table sets forth, for the periods indicated, the break-up of deferred tax assets and liabilities into major items.

	At September 30, 2010[1]	At March 31, 2010	At September 30, 2009
		₹ in million	
Deferred tax asset			
Provision for bad and doubtful debts[1]	27,192.5	23,597.6	22,564.4
Capital loss	—	—	77.6
Others[1]	2,098.2	1,827.4	1,715.4
Total deferred tax assets	29,290.7	25,425.0	24,357.4
Deferred tax liability			
Depreciation on fixed assets	4,595.6	4,671.1	4,966.1
Total deferred tax liability	4,595.6	4,671.1	4,966.1
Deferred tax asset/(liability) pertaining to foreign branches	2.9	2.8	2.1
Total net deferred tax asset/(liability)	24,698.0	20,756.7	19,393.4

1. Pursuant to the amalgamation of erstwhile Bank of Rajasthan with the Bank as of August 12, 2010, the Bank has recognised deferred tax assets of ₹ 827.3 million on eligible amount of timing difference on the date of amalgamation.

17. Provision Coverage Ratio

The provision coverage ratio of the Bank at September 30, 2010 computed as per the Reserve Bank of India circular dated December 1, 2009 is 69.0%. The Bank has been permitted by Reserve Bank of India to achieve the stipulated level of 70.0% in a phased manner by March 31, 2011.

18. Bancassurance

The following table sets forth, for the periods indicated, the break-up of income derived from bancassurance business.

Sr. No.	Nature of income	Half year ended September 30, 2010
		₹ in million
1.	Income from selling life insurance policies	996.5
2.	Income from selling non life insurance policies	110.7
3.	Income from selling mutual fund/Collective Investment Scheme products	312.7

During the year ended March 31, 2010, the Bank earned fees/remuneration of ₹ 2,955.9 million in respect of the bancassurance business.

19. Comparative figures

Figures of the previous period/year have been re-grouped to conform to the current period presentation.

Signatures to Schedules 1 to 19

For and on behalf of the Board of Directors

K. V. Kamath
Chairman

Chanda D. Kochhar
Managing Director & CEO

N. S. Kannan
Executive Director & CFO

K. Ramkumar
Executive Director

Rajiv Sabharwal
Executive Director

Sandeep Batra
Group Compliance Officer & Company Secretary

Rakesh Jha
Deputy Chief Financial Officer

Place: Mumbai
Date : October 29, 2010

To the Members of
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 31 March 2010 and also the Profit and Loss Account and the Cash Flow Statement for the year then ended, both 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 are the returns of the Singapore, Bahrain and Hong Kong branches of the Bank, audited by other auditors.

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. We did not audit the financial statements of the Singapore, Bahrain and Hong Kong branches of the Bank, whose financial statements reflect total assets of Rs. 719,480.4 million as at 31 March 2010, total revenues of Rs. 41,095.5 million and cash flows of Rs. 11,195.0 million for the year then ended. These financial statements have been audited by other auditors, duly qualified to act as auditors in the country of incorporation of the said branches, whose reports have been furnished to us, and which were relied upon by us for our opinion on the financial statements of the Bank.

4. 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), (2) and (3C) of the Companies Act, 1956.

5. 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; and

   c) the returns received from the offices and branches of the Bank have been found adequate for the purposes of our audit.

6. In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the accounting principles generally accepted in India including Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956, to the extent they are not inconsistent with the accounting policies prescribed by the Reserve Bank of India.

7. We further report that:

   a) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement 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) the reports on the financial statements of the Singapore, Bahrain and Hong Kong branches audited by other auditors have been dealt with in preparing our report in the manner considered appropriate by us;

   d) 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;

   e) on the basis of written representations received from the directors, as on 31 March 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

8. In our opinion and to the best of our information and according to the explanations given to us and on consideration of reports submitted by the Singapore, Bahrain and Hong Kong branch auditors, the said financial statements 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 accounting principles generally accepted in India:

   a) in the case of the Balance Sheet, of the state of affairs of the Bank as at 31 March 2010;

   b) in the case of the Profit and Loss Account, of the profit of the Bank for the year ended on that date; and

   c) in the case of the Cash Flow Statement, of the cash flows of the Bank for the year ended on that date.

For B S R & Co.
Chartered Accountants
Firm's Registration No.: 101248W

Akeel Master
Partner
Membership No.: 046768

Mumbai
April 24, 2010

Unconsolidated Balance Sheet at March 31, 2010

	Schedule	At 31.03.2010	At 31.03.2009
		(Rupees in '000s)	
CAPITAL AND LIABILITIES			
Capital	1	11,148,892	11,132,898
Reserves and surplus	2	505,034,767	484,197,292
Deposits	3	2,020,165,972	2,183,478,249
Borrowings	4	942,635,686	931,554,542
Other liabilities and provisions	5	155,011,834	182,646,642
TOTAL CAPITAL AND LIABILITIES		**3,633,997,151**	**3,793,009,623**
ASSETS			
Cash and balances with Reserve Bank of India	6	275,142,920	175,363,342
Balances with banks and money at call and short notice	7	113,594,020	124,302,296
Investments	8	1,208,928,005	1,030,583,080
Advances	9	1,812,055,971	2,183,108,492
Fixed assets	10	32,126,899	38,016,209
Other assets	11	192,149,336	241,636,204
TOTAL ASSETS		**3,633,997,151**	**3,793,009,623**
Contingent liabilities	12	7,270,840,587	8,346,830,027
Bills for collection		64,749,539	60,004,383
Significant accounting policies and notes to accounts	18 & 19		

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 B S R & Co.
Chartered Accountants
Firm's Registration no.: 101248W

K. V. Kamath
Chairman

Chanda D. Kochhar
Managing Director & CEO

Sandeep Bakhshi
Deputy Managing Director

Akeel Master
Partner
Membership no.: 046768

N. S. Kannan
Executive Director & CFO

K. Ramkumar
Executive Director

Sonjoy Chatterjee
Executive Director

Sandeep Batra
Group Compliance Officer
& Company Secretary

Rakesh Jha
Deputy Chief Financial
Officer

Place: Mumbai
Date: April 24, 2010

Unconsolidated Profit and Loss Account for the year ended March 31, 2010

	Schedule	Year ended 31.03.2010	Year ended 31.03.2009
		(Rupees in '000s)	
I. INCOME			
Interest earned	13	257,069,331	310,925,484
Other income	14	74,776,500	76,037,271
TOTAL INCOME		**331,845,831**	**386,962,755**
II. EXPENDITURE			
Interest expended	15	175,925,704	227,259,343
Operating expenses	16	58,598,327	70,451,137
Provisions and contingencies	17	57,071,971	51,670,943
TOTAL EXPENDITURE		**291,596,002**	**349,381,423**
III. PROFIT/LOSS			
Net profit for the year		40,249,829	37,581,332
Profit brought forward		28,096,510	24,363,159
TOTAL PROFIT/(LOSS)		**68,346,339**	**61,944,491**
IV. APPROPRIATIONS/TRANSFERS			
Transfer to Statutory Reserve		10,070,000	9,400,000
Transfer to Reserve Fund		2,170	4,221
Transfer to Capital Reserve		4,440,000	8,180,000
Transfer to Investment Reserve Account		1,160,000	—
Transfer to General Reserve		10,369	—
Transfer to Special Reserve		3,000,000	2,500,000
Dividend (including corporate dividend tax) for the previous year paid during the year		929	5,811
Proposed equity share dividend		13,378,604	12,245,771
Proposed preference share dividend		35	35
Corporate dividend tax		1,640,425	1,512,143
Balance carried over to balance sheet		34,643,807	28,096,510
TOTAL		**68,346,339**	**61,944,491**
Significant accounting policies and notes to accounts	18 & 19		
Earnings per share (Refer note 19.4)			
Basic (Rs.)		36.14	33.76
Diluted (Rs.)		35.99	33.70
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 B S R & Co.
Chartered Accountants
Firm's Registration no.: 101248W

K. V. Kamath
Chairman

Chanda D. Kochhar
Managing Director & CEO

Sandeep Bakhshi
Deputy Managing Director

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Executive Director

Sandeep Batra
Group Compliance Officer & Company Secretary

Rakesh Jha
Deputy Chief Financial Officer

Place: Mumbai
Date: April 24, 2010

Unconsolidated Cash Flow Statement for the year ended March 31, 2010

PARTICULARS	Year ended 31.03.2010	Year ended 31.03.2009
	(Rupees in '000s)	
Cash flow from operating activities		
Net profit before taxes	53,453,218	51,169,693
Adjustments for:		
Depreciation and amortisation	7,550,323	8,576,435
Net (appreciation)/depreciation on investments	6,242,755	13,371,083
Provision in respect of non-performing assets (including prudential provision on standard assets)	43,621,629	37,500,259
Provision for contingencies & others	273,494	(395,005)
Income from subsidiaries, joint ventures and consolidated entities	(3,933,959)	(3,636,999)
(Profit)/loss on sale of fixed assets	(1,345,173)	(175,113)
	105,862,287	**106,410,353**
Adjustments for:		
(Increase)/decrease in investments	(243,844,179)	26,560,241
(Increase)/decrease in advances	327,300,630	34,618,121
Increase/(decrease) in borrowings	(17,220,942)	32,785,480
Increase/(decrease) in deposits	(163,312,277)	(260,832,253)
(Increase)/decrease in other assets	54,586,538	(33,283,816)
Increase/(decrease) in other liabilities and provisions	(28,694,588)	(32,683,319)
	(71,184,818)	**(232,835,546)**
Refund/(payment) of direct taxes	(15,985,360)	(15,459,704)
Net cash generated from operating activities (A)	**18,692,109**	**(141,884,897)**
Cash flow from investing activities		
Investments in subsidiaries and/or joint ventures (including application money)	(1,113,156)	(42,016,414)
Income from subsidiaries, joint ventures and consolidated entities	3,933,959	3,636,999
Purchase of fixed assets	(5,101,617)	(10,568,742)
Proceeds from sale of fixed assets	3,164,763	667,236
(Purchase)/sale of held to maturity securities	60,623,375	86,859,726
Net cash generated from investing activities (B)	**61,507,324**	**38,578,805**
Cash flow from financing activities		
Proceeds from issue of share capital (including ESOPs) net of issue expenses	610,429	452,464
Net proceeds/(repayment) of bonds (including subordinated debt)	26,946,780	29,492,463
Dividend and dividend tax paid	(13,731,041)	(13,691,338)
Net cash generated from financing activities (C)	**13,826,168**	**16,253,589**
Effect of exchange fluctuation on translation reserve (D)	**(4,954,299)**	**6,306,853**
Net increase/(decrease) in cash and cash equivalents (A) + (B) + (C) + (D)	**89,071,302**	**(80,745,650)**
Cash and cash equivalents at April 1	**299,665,638**	**380,411,288**
Cash and cash equivalents at March 31	**388,736,940**	**299,665,638**

Significant accounting policies and notes to accounts (refer Schedule 18 & 19)

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 B S R & Co.
Chartered Accountants
Firm's Registration no.: 101248W

K. V. Kamath
Chairman

Chanda D. Kochhar
Managing Director & CEO

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Executive Director

Sonjoy Chatterjee
Executive Director

Sandeep Batra
Group Compliance Officer & Company Secretary

Rakesh Jha
Deputy Chief Financial Officer

Place: Mumbai
Date: April 24, 2010

	At 31.03.2010	At 31.03.2009
	(Rupees in '000s)	
SCHEDULE 1 — CAPITAL		
Authorised capital		
1,275,000,000 equity shares of Rs. 10 each (March 31, 2009: 1,275,000,000 equity shares of Rs. 10 each)	12,750,000	12,750,000
15,000,000 shares of Rs. 100 each (March 31, 2009: 15,000,000 shares of Rs. 100 each)[1]	1,500,000	1,500,000
350 preference shares of Rs. 10 million each (March 31, 2009: 350 preference shares of Rs. 10 million each)[2]	3,500,000	3,500,000
Equity share capital		
Issued, subscribed and paid-up capital		
1,113,250,642 equity shares of Rs. 10 each (March 31, 2009: 1,112,687,495 equity shares)	11,132,506	11,126,875
Add : 1,594,672 equity shares of Rs. 10 each fully paid up (March 31, 2009: 563,147 equity shares) issued pursuant to exercise of employee stock options	15,947	5,631
	11,148,453	**11,132,506**
Less: Calls unpaid	331	378
Add: 111,603 equity shares forfeited (March 31, 2009: 111,603 equity shares)	770	770
TOTAL CAPITAL	**11,148,892**	**11,132,898**

1. These shares will be of such class and with such rights, privileges, conditions or restrictions as may be determined by the Bank in accordance with the Articles of Association of the Bank and subject to the legislative provisions in force for the time being in that behalf.
2. Pursuant to RBI circular no. DBOD.BP.BC No.81/ 21.01.002/2009-10, the issued and paid-up preference shares are grouped under schedule 4 - "Borrowings".

Schedules forming part of the balance sheet

	At 31.03.2010	At 31.03.2009
	(Rupees in '000s)	
SCHEDULE 2 — RESERVES AND SURPLUS		
I. Statutory reserve		
Opening balance	48,793,807	39,393,807
Additions during the year	10,070,000	9,400,000
Deductions during the year	—	—
Closing balance	58,863,807	48,793,807
II. Special reserve		
Opening balance	23,440,000	20,940,000
Additions during the year	3,000,000	2,500,000
Deductions during the year	—	—
Closing balance	26,440,000	23,440,000
III. Securities premium		
Opening balance	312,917,382	312,471,030
Additions during the year[1]	594,435	446,352
Deductions during the year	—	—
Closing balance	313,511,817	312,917,382
IV. Investment reserve Account		
Opening balance	—	—
Additions during the year	1,160,000	—
Deductions during the year	—	—
Closing balance	1,160,000	—
V. Capital reserve		
Opening balance	16,190,000	8,010,000
Additions during the year	4,440,000	8,180,000
Deductions during the year	—	—
Closing balance	20,630,000	16,190,000
VI. Foreign currency translation reserve		
Opening balance	4,966,797	(1,391,262)
Additions during the year	—	6,358,059
Deductions during the year	4,986,796	—
Closing balance	(19,999)	4,966,797
VII. Reserve fund		
Opening balance	8,749	4,528
Additions during the year[2]	2,170	4,221
Deductions during the year	—	—
Closing balance	10,919	8,749
VIII. Revenue and other reserves		
Opening balance	49,784,047	49,784,047
Additions during the year	10,369	—
Deductions during the year	—	—
Closing balance	49,794,416	49,784,047
IX. Balance in profit and loss account	34,643,807	28,096,510
TOTAL RESERVES AND SURPLUS	**505,034,767**	**484,197,292**

1. Rs. 568.3 million (March 31, 2009: Rs. 184.1 million) on exercise of employee stock options.
2. Represents appropriation of 5% of net profit by Sri Lanka branch to meet the requirements of Section 20 of Sri Lankan Banking Act No 30 of 1988.

	At 31.03.2010	At 31.03.2009
	(Rupees in ’000s)	
SCHEDULE 3 — DEPOSITS		
A. I. Demand deposits		
i) From banks	14,855,980	7,455,466
ii) From others	295,118,656	208,861,406
II. Savings bank deposits	532,183,675	410,361,455
III. Term deposits		
i) From banks	88,149,385	158,017,816
ii) From others	1,089,858,276	1,398,782,106
TOTAL DEPOSITS	**2,020,165,972**	**2,183,478,249**
B. I. Deposits of branches in India	1,921,759,603	2,078,376,652
II. Deposits of branches outside India	98,406,369	105,101,597
TOTAL DEPOSITS	**2,020,165,972**	**2,183,478,249**

	At 31.03.2010	At 31.03.2009
	(Rupees in '000s)	
SCHEDULE 4 — BORROWINGS		
I. Borrowings in India		
i) Reserve Bank of India	—	—
ii) Other banks	25,000,000	23,246,348
iii) Other institutions and agencies		
a) Government of India	687,491	1,075,400
b) Financial institutions	54,405,331	35,427,632
iv) Borrowings in the form of		
Bonds and debentures (excluding subordinated debt)		
- Debentures and bonds guaranteed by the Government of India	8,355,000	11,755,000
- Borrowings under private placement of bonds carrying maturity of 1 to 30 years from the date of placement	3,567,373	6,680,649
Bonds issued under multiple option/safety bonds series		
- Regular interest bonds	2,924,220	3,278,880
- Deep discount bonds	2,517,822	4,332,005
- Tax saving bonds	8,713,170	16,033,862
- Pension bonds	59,370	61,805
v) Application money — bonds [1]	25,000,000	—
vi) Capital instruments		
Innovative Perpetual Debt Instruments (IPDI) (qualifying as Tier I capital)	13,010,000	13,010,000
Hybrid debt capital instruments issued as bonds/debentures (qualifying as upper Tier II capital)	97,502,000	63,702,000
Redeemable Non-Cumulative Preference Shares (RNCPS) (Redeemable Non-Cumulative 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
Unsecured redeemable debentures/bonds (subordinated debt included in Tier II capital)	138,547,481	115,299,082
TOTAL BORROWINGS IN INDIA	**383,789,258**	**297,402,663**
II. Borrowings outside India		
i) From multilateral/bilateral credit agencies guaranteed by the Government of India for the equivalent of Rs. 17,252.7 million (March 31, 2009: Rs. 20,523.1 million)	18,525,159	22,862,196
ii) From international banks, institutions and consortiums	233,809,366	285,348,542
iii) By way of bonds and notes	250,570,342	262,531,035
iv) Capital instruments		
Innovative Perpetual Debt Instruments (IPDI) (qualifying as Tier I capital)	15,199,979	17,158,574
Hybrid debt capital instruments issued as bonds/debentures (qualifying as upper Tier II capital)	40,410,000	45,648,000
v) Other borrowings	331,582	603,532
TOTAL BORROWINGS OUTSIDE INDIA	**558,846,428**	**634,151,879**
TOTAL BORROWINGS	**942,635,686**	**931,554,542**

1. Application money received towards subordinated debt.
2. Secured borrowings in I and II above are Nil (March 31, 2009: Nil).

Schedules forming part of the balance sheet

	At 31.03.2010	At 31.03.2009
	(Rupees in '000s)	
SCHEDULE 5 — OTHER LIABILITIES AND PROVISIONS		
I. Bills payable	27,069,240	18,251,332
II. Inter-office adjustments (net)	244,147	4,213,071
III. Interest accrued	24,421,815	27,989,208
IV. Others		
a) Security deposits from clients	5,934,848	9,463,352
b) Sundry creditors	39,664,039	61,267,278
c) Received for disbursements under special program	1,663,273	1,644,645
d) Provision for standard assets	14,360,648	14,360,648
e) Other liabilities[1]	41,653,824	45,457,108
TOTAL OTHER LIABILITIES AND PROVISIONS	**155,011,834**	**182,646,642**

1. Includes:

a) Proposed dividend of Rs. 13,378.6 million (March 31, 2009: Rs. 12,245.8 million).

b) Corporate dividend tax payable of Rs. 1,640.4 million (March 31, 2009: Rs. 1,512.1 million).

	At 31.03.2010	At 31.03.2009
	(Rupees in '000s)	
SCHEDULE 6 — CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand (including foreign currency notes)	33,410,225	28,557,057
II. Balances with Reserve Bank of India in current accounts	241,732,695	146,806,285
TOTAL CASH AND BALANCES WITH RESERVE BANK OF INDIA	**275,142,920**	**175,363,342**

	At 31.03.2010	At 31.03.2009
	(Rupees in '000s)	
SCHEDULE 7 — BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
i) Balances with banks		
a) In current accounts	9,595,803	7,559,863
b) In other deposit accounts	36,076,344	36,456,555
ii) Money at call and short notice		
a) With banks	70,000	—
b) With other institutions	—	—
TOTAL	**45,742,147**	**44,016,418**
II. Outside India		
i) In current accounts	15,722,069	23,561,910
ii) In other deposit accounts	44,241,179	28,407,146
iii) Money at call and short notice	7,888,625	28,316,822
TOTAL	**67,851,873**	**80,285,878**
TOTAL BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE	**113,594,020**	**124,302,296**

	At 31.03.2010	At 31.03.2009
	(Rupees in '000s)	
SCHEDULE 8 — INVESTMENTS		
I. Investments in India [net of provisions]		
i) Government securities	683,991,406	633,774,902
ii) Other approved securities	45,009	93,405
iii) Shares (includes equity and preference shares)	27,557,381	17,031,332
iv) Debentures and bonds	36,353,907	26,000,683
v) Subsidiaries and/or joint ventures[1]	62,226,766	61,194,621
vi) Others (commercial paper, mutual fund units, pass through certificates, security receipts, certificate of deposits etc.)	307,378,383	196,688,823
TOTAL INVESTMENTS IN INDIA	**1,117,552,852**	**934,783,766**
II. Investments outside India [net of provisions]		
i) Government securities	1,645,046	953,347
ii) Subsidiaries and/or joint ventures abroad (includes equity and preference shares)	66,005,026	65,924,016
iii) Others	23,725,081	28,921,951
TOTAL INVESTMENTS OUTSIDE INDIA	**91,375,153**	**95,799,314**
TOTAL INVESTMENTS	**1,208,928,005**	**1,030,583,080**
III. Investments in India		
Gross value of investments	1,129,332,338	947,314,476
Less: Aggregate of provision/depreciation	11,779,486	12,530,710
Net investments	**1,117,552,852**	**934,783,766**
IV. Investments outside India		
Gross value of investments	91,756,742	97,586,277
Less: Aggregate of provision/depreciation	381,589	1,786,963
Net investments	**91,375,153**	**95,799,314**
TOTAL INVESTMENTS	**1,208,928,005**	**1,030,583,080**

1. Includes application money of Rs. 1,000.0 million (March 31, 2009: Nil).

Schedules forming part of the balance sheet

	At 31.03.2010	At 31.03.2009
	(Rupees in '000s)	
SCHEDULE 9 — ADVANCES [net of provisions]		
A. i) Bills purchased and discounted	44,531,591	40,610,992
ii) Cash credits, overdrafts and loans repayable on demand	255,552,276	343,945,509
iii) Term loans	1,404,149,152	1,696,347,568
iv) Securitisation, finance lease and hire purchase receivables	107,822,952	102,204,423
TOTAL ADVANCES	**1,812,055,971**	**2,183,108,492**
B. i) Secured by tangible assets (includes advances against book debts)	1,336,426,827	1,575,653,288
ii) Covered by bank/government guarantees	21,202,426	14,815,009
iii) Unsecured	454,426,718	592,640,195
TOTAL ADVANCES	**1,812,055,971**	**2,183,108,492**
C. I. Advances in India		
i) Priority sector	539,773,871	620,515,976
ii) Public sector	3,201,088	3,494,486
iii) Banks	41,790	252,580
iv) Others	817,672,519	1,015,930,993
TOTAL ADVANCES IN INDIA	**1,360,689,268**	**1,640,194,035**
II. Advances outside India		
i) Due from banks	13,515,963	14,965,907
ii) Due from others		
a) Bills purchased and discounted	15,060,877	13,856,733
b) Commercial loans	206,115,152	283,420,282
c) Others	216,674,711	230,671,535
TOTAL ADVANCES OUTSIDE INDIA	**451,366,703**	**542,914,457**
TOTAL ADVANCES	**1,812,055,971**	**2,183,108,492**

	At 31.03.2010	At 31.03.2009
	(Rupees in '000s)	
SCHEDULE 10 — FIXED ASSETS		
I. Premises		
At cost at March 31 of preceding year	24,110,318	22,942,919
Additions during the year	777,682	1,694,879
Deductions during the year	(1,765,641)	(527,480)
Depreciation to date	(4,781,332)	(4,139,362)
Net block[1]	**18,341,027**	**19,970,956**
II. Other fixed assets (including furniture and fixtures)		
At cost at March 31 of preceding year	32,575,569	29,338,047
Additions during the year	1,599,686	3,833,680
Deductions during the year	(3,706,962)	(596,158)
Depreciation to date	(20,216,373)	(19,153,333)
Net block	**10,251,920**	**13,422,236**
III. Assets given on lease		
At cost at March 31 of preceding year	17,751,174	18,079,072
Additions during the year	—	—
Deductions during the year	(200,674)	(327,898)
Depreciation to date, accumulated lease adjustment and provisions	(14,016,548)	(13,128,157)
Net block	**3,533,952**	**4,623,017**
TOTAL FIXED ASSETS	**32,126,899**	**38,016,209**

1. Includes assets of Rs. 446.1 million (March 31, 2009: Nil) which are in the process of being sold.

Schedules forming part of the balance sheet

	At 31.03.2010	At 31.03.2009
	(Rupees in '000s)	
SCHEDULE 11 — OTHER ASSETS		
I. Inter-office adjustments (net)	—	—
II. Interest accrued	32,528,366	41,382,870
III. Tax paid in advance/tax deducted at source (net)	37,793,206	37,815,636
IV. Stationery and stamps	641	928
V. Non-banking assets acquired in satisfaction of claims[1]	674,945	3,089,212
VI. Others		
a) Advance for capital assets	11,744,493	8,776,627
b) Outstanding fees and other income	5,983,666	6,581,734
c) Deposits	17,976,859	25,189,917
d) Deferred tax asset (net)	20,756,703	17,923,148
e) Others	64,690,457	100,876,132
TOTAL OTHER ASSETS	**192,149,336**	**241,636,204**

1. Includes certain non-banking assets acquired in satisfaction of claims which are in the process of being transferred in the Bank's name.

	At 31.03.2010	At 31.03.2009
	(Rupees in '000s)	
SCHEDULE 12 — CONTINGENT LIABILITIES		
I. Claims against the Bank not acknowledged as debts	33,568,263	32,824,550
II. Liability for partly paid investments	128,126	128,126
III. Liability on account of outstanding forward exchange contracts	1,660,687,240	2,583,670,864
IV. Guarantees given on behalf of constituents		
a) In India	489,280,827	453,001,349
b) Outside India	129,084,608	127,880,113
V. Acceptances, endorsements and other obligations	321,224,087	306,782,689
VI. Currency swaps	524,786,068	569,648,391
VII. Interest rate swaps, currency options and interest rate futures	4,012,141,159	4,146,346,015
VIII. Other items for which the Bank is contingently liable	99,940,209	126,547,930
TOTAL CONTINGENT LIABILITIES	**7,270,840,587**	**8,346,830,027**

Schedules forming part of the profit and loss account

	Year ended 31.03.2010	Year ended 31.03.2009
	(Rupees in '000s)	
SCHEDULE 13 — INTEREST EARNED		
I. Interest/discount on advances/bills	173,727,325	223,238,295
II. Income on investments[1]	64,663,488	74,030,595
III. Interest on balances with Reserve Bank of India and other inter-bank funds	6,249,906	5,187,095
IV. Others[2, 3]	12,428,612	8,469,499
TOTAL INTEREST EARNED	**257,069,331**	**310,925,484**

1. Includes amortisation of premium on Government securities Rs. 8,121.5 million (March 31, 2009: Rs. 7,253.4 million).
2. Includes interest on income tax refunds Rs. 1,208.3 million (March 31, 2009: Rs. 3,331.7 million).
3. Includes interest and amortisation of premium on non-trading interest rate swaps and foreign currency swaps.

	Year ended 31.03.2010	Year ended 31.03.2009
	(Rupees in '000s)	
SCHEDULE 14 — OTHER INCOME		
I. Commission, exchange and brokerage	48,308,087	56,258,933
II. Profit/(loss) on sale of investments (net)	5,464,210	18,004,745
III. Profit/(loss) on revaluation of investments (net)	1,852,196	(5,140,339)
IV. Profit/(loss) on sale of land, buildings and other assets (net)[1]	1,345,173	175,113
V. Profit/(loss) on exchange transactions (net)	11,060,537	84,146
VI. Income earned by way of dividends, etc. from subsidiary companies and/or joint ventures abroad/in India	3,692,716	3,348,233
VII. Miscellaneous income (including lease income)	3,053,581	3,306,440
TOTAL OTHER INCOME	**74,776,500**	**76,037,271**

1. Includes profit/(loss) on sale of assets given on lease.

	Year ended 31.03.2010	Year ended 31.03.2009
	(Rupees in '000s)	
SCHEDULE 15 — INTEREST EXPENDED		
I. Interest on deposits	115,134,716	157,851,583
II. Interest on Reserve Bank of India/inter-bank borrowings[1]	11,951,326	20,045,886
III. Others (including interest on borrowings of erstwhile ICICI Limited)	48,839,662	49,361,874
TOTAL INTEREST EXPENDED	**175,925,704**	**227,259,343**

1. Includes interest paid on inter-bank deposits.

Schedules forming part of the profit and loss account

	Year ended 31.03.2010	Year ended 31.03.2009
	(Rupees in '000s)	
SCHEDULE 16 — OPERATING EXPENSES		
I. Payments to and provisions for employees	19,257,929	19,717,045
II. Rent, taxes and lighting	5,924,256	6,257,960
III. Printing and stationery	915,957	1,200,296
IV. Advertisement and publicity	1,108,010	1,402,840
V. Depreciation on Bank's property	4,778,512	4,684,901
VI. Depreciation (including lease equalisation) on leased assets	1,416,505	2,101,070
VII. Directors' fees, allowances and expenses	4,193	3,640
VIII. Auditors' fees and expenses	22,500	22,738
IX. Law charges	987,406	924,040
X. Postages, telegrams, telephones, etc.	2,007,720	2,538,545
XI. Repairs and maintenance	4,724,642	4,896,929
XII. Insurance	2,005,645	2,282,926
XIII. Direct marketing agency expenses	1,254,784	5,289,235
XIV. Other expenditure	14,190,268	19,128,972
TOTAL OPERATING EXPENSES	**58,598,327**	**70,451,137**

	Year ended 31.03.2010	Year ended 31.03.2009
	(Rupees in '000s)	
SCHEDULE 17 — PROVISIONS AND CONTINGENCIES		
I. Income tax		
- Current period tax	15,977,789	17,933,052
- Deferred tax adjustment	(2,804,400)	(4,716,700)
- Fringe benefit tax	—	342,010
II. Wealth tax	30,000	30,000
TOTAL TAXES	**13,203,389**	**13,588,362**
III. Provision for investments (net)	(26,540)	977,328
IV. Provision for advances (net)[1]	43,621,629	37,500,259
V. Others	273,493	(395,006)
TOTAL PROVISIONS AND CONTINGENCIES	**57,071,971**	**51,670,943**

1. Includes provisions on standard assets, non-performing advances, non-performing leased assets and others.

SCHEDULE 18 — SIGNIFICANT ACCOUNTING POLICIES

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 governed by the Banking Regulation Act, 1949.

Basis of preparation

The financial statements have been prepared in accordance with requirements prescribed under the Third Schedule of 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 in India (Indian GAAP), the guidelines issued by Reserve Bank of India (RBI) from time to time, the Accounting Standards (AS) issued by the Institute of Chartered Accountants of India (ICAI) and notified by the Companies (Accounting Standards) Rules, 2006 to the extent applicable and practices generally prevalent in 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.

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 income recognition and asset classification norms of RBI.

b) Income from hire purchase operations is accrued by applying the implicit interest rate to 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.

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) Loan processing fee is accounted for upfront when it becomes due.

g) Project appraisal/structuring fee is accounted for on the completion of the agreed service.

h) Arranger fee is accounted for as income when a significant portion of the arrangement/syndication is completed.

i) Commission received on guarantees issued is amortised on a straight-line basis over the period of the guarantee.

j) All other fees are accounted for as and when they become due.

k) Net income arising from sell-down/securitisation of loan assets prior to February 1, 2006 has been recognised upfront as 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 with recourse obligation is amortised over the life of underlying assets sold and net income from sale of loan assets through direct assignment, without any recourse obligation, is recognised at the time of sale. Net loss arising on account of the sell-down/securitisation and direct assignment of loan assets is recognised at the time of sale.

l) The Bank deals in bullion business on a consignment basis. The difference between price recovered from customers and cost of bullion is accounted for at the time of sale to the customers. The Bank also deals in bullion on a borrowing and lending basis and the interest paid/received is accounted on accrual basis.

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' 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 fixed rate and floating rate securities acquired is amortised over the remaining period to maturity on a constant yield basis and straight line basis respectively.

c) 'Available for Sale' and 'Held for Trading' securities are valued periodically as per RBI guidelines. Any premium over the face value of investments in government securities, classified as 'Available for Sale', is amortised over the remaining period to maturity on constant yield basis. Quoted investments are valued based on the trades/quotes on the recognised stock exchanges, subsidiary general ledger 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 government securities which are in the nature of Statutory Liquidity Ratio (SLR) securities included in the 'Available for Sale' and 'Held for Trading' categories is as per the rates published by FIMMDA. The valuation of other unquoted fixed income securities 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 break-up value, if the latest balance sheet is available, or at Re. 1, as per RBI guidelines.

   Securities are valued scrip-wise and depreciation/appreciation is 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) Equity 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 (the amount of interest from the previous interest payment date till the date of purchase/sale of instruments) 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 such instruments, prescribed by RBI from time to time. Accordingly, in cases where the cash flows from 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 obtained from the asset reconstruction company from time to time, for valuation of such investments at each reporting period 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, including overdues arising from crystallised derivative contracts, 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 the unsecured portion of doubtful assets are provided for/written off as per the extant RBI guidelines. Provisions on homogeneous retail loans, subject to minimum provisioning requirements of RBI, are assessed at a portfolio level on the basis of days past due. The Bank holds specific provisions against non-performing loans and general provision against performing loans. The assessment of incremental specific provisions is made after taking into consideration existing specific provision. The specific provisions on retail loans held by the Bank are higher than the minimum regulatory requirements.

b) Provision on assets restructured/rescheduled is made in accordance with the applicable RBI guidelines on restructuring of advances by Banks.

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.

c) 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.

d) 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.

e) In addition to the provisions required to be held according to the asset classification status, provisions are held for individual country exposures (other than for home country exposure). The countries are categorised into seven risk categories namely insignificant, low, moderate, high, very high, restricted and off-credit and provisioning is made on exposures exceeding 180 days on a graded scale ranging from 0.25% to 100%. For exposures with contractual maturity of less than 180 days, 25% of the above 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 required 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 are accounted for only if the Bank surrenders the rights to benefits specified in the underlying securitised loan contract. Recourse and servicing obligations are accounted for net of provisions.

In accordance with the RBI guidelines for securitisation of standard assets, with effect from February 1, 2006, the Bank accounts for any loss arising from securitisation immediately at the time of sale and the profit/premium arising from securitisation is amortised over the life of the securities issued or to be issued by the special purpose vehicle to which the assets are sold. In the case of loans sold to an asset reconstruction company, the excess provision, if any, is not reversed but is utilised to meet the shortfall/loss on account of sale of other financial assets to asset reconstruction company.

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%
Furniture and fixtures	15.00%
Motor vehicles	20.00%
Others (including software and system development expenses)	25.00%

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 upto Rs. 5,000/- are depreciated fully over a period of 12 months from the date of purchase.

d) In case of revalued/impaired assets, depreciation is provided over the remaining useful life of the assets with reference to revised assets values.

6. Transactions involving foreign exchange

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 rates, and income and expenditure of non-integral foreign operations (foreign branches and offshore banking units) are translated at quarterly average closing rates.

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 interim maturities. The contracts of longer maturities where exchange rates are not notified by FEDAI, are revalued at the forward exchange rates implied by the swap curves in respective currencies. 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, credit default swaps and cross currency interest rate swaps.

The swap contracts entered into to hedge on-balance sheet assets and liabilities are structured such 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 are accounted for on an accrual basis.

Foreign currency and rupee derivative contracts entered into 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. Pursuant to RBI guidelines, any receivables under derivative contracts, which remain overdue for more than 90 days, are reversed through profit and loss account.

8. Employee Stock Option Scheme (ESOS)

The Employees Stock Option Scheme (the Scheme) provides for grant of equity shares of the Bank to wholetime directors and employees of the Bank and its subsidiaries. The Scheme provides that employees are granted an option to subscribe to equity shares of the Bank that vest 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 employee compensation plans. Compensation cost is measured as the excess, if any, of the fair market price of the underlying stock over the exercise price on the grant date. 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 price of the Bank's stock options is equal to fair market price on the grant date, there is no compensation cost under the intrinsic value method.

The Finance (No.2) Act, 2009 has abolished fringe benefit tax (FBT) and introduced tax on the perquisite value in the hands of the employees which is computed on the difference between the fair market value on date of exercise and the exercise price with effect from April 1, 2009.

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 and in case of employees at overseas locations as per the rules in force in the respective countries. ICICI Bank makes contributions to four separate gratuity funds, for employees inducted from erstwhile ICICI Limited (erstwhile ICICI), employees inducted from erstwhile Bank of Madura, employees inducted from erstwhile The Sangli Bank Limited (erstwhile Sangli Bank) and employees of ICICI Bank other than employees inducted from erstwhile ICICI, erstwhile Bank of Madura and erstwhile Sangli Bank.

Separate gratuity funds for employees inducted from erstwhile ICICI, erstwhile Bank of Madura and erstwhile Sangli Bank are managed by ICICI Prudential Life Insurance Company Limited. The gratuity fund for employees of ICICI Bank, other than employees inducted from erstwhile ICICI, erstwhile Bank of Madura and erstwhile Sangli Bank is administered by Life Insurance Corporation of India and ICICI Prudential Life Insurance Company Limited.

Actuarial valuation of the gratuity liability for all the above funds is determined by an actuary appointed by the Bank. In accordance with the gratuity funds' rules, actuarial valuation of gratuity liability is calculated based on certain assumptions regarding rate of interest, salary growth, mortality and staff attrition as per the projected unit credit method.

Superannuation Fund

ICICI Bank contributes 15.0% of the total annual basic salary of each employee to a superannuation fund for ICICI Bank employees. The employee gets an option on retirement or resignation to commute one-third of the total credit balance in his/her account and receive a monthly pension based on the remaining balance. In the event of death of an employee, his or her beneficiary receives the remaining accumulated balance. ICICI Bank also gives an option to its employees, allowing them to receive the amount contributed by ICICI Bank along with their monthly salary during their employment.

Upto March 31, 2005, the superannuation fund was administered solely by Life Insurance Corporation of India. Subsequent to March 31, 2005, both Life Insurance Corporation of India and ICICI Prudential Life Insurance Company Limited are administering the separate funds. Employees had 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 of erstwhile Bank of Madura and certain employees of erstwhile Sangli Bank. 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. For erstwhile Bank of Madura and erstwhile Sangli Bank employees in service, separate pension funds are managed in-house and the liability is funded as per actuarial valuation. The pension payments to retired employees of erstwhile Bank of Madura and erstwhile Sangli Bank are being administered by ICICI Prudential Life Insurance Company Limited, for whom the Bank has purchased master annuity policies. Employees covered by the pension plan are not eligible for benefits under the provident fund plan.

Provident Fund

ICICI Bank is statutorily required to maintain a provident fund as a part of retirement benefits to its employees. There are separate provident funds for employees inducted from erstwhile Bank of Madura and erstwhile Sangli Bank (other than those employees who have opted for pension), and for other employees of ICICI Bank. In-house trustees manage these funds. Each employee contributes 12.0% of his or her basic salary (10.0% for certain staff of erstwhile Sangli Bank and Bank of Madura) and ICICI Bank contributes an equal amount to the funds. The funds are invested 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 conducted by an independent actuary.

10. Income Taxes

Income tax expense is the aggregate amount of current tax and deferred tax expense incurred by the Bank. The current tax expense and deferred tax expense is determined in accordance with the provisions of the Income Tax Act, 1961 and as per Accounting Standard 22 - Accounting for Taxes on Income issued by the Institute of Chartered Accountants of India, respectively. The levy of FBT is not applicable as the Finance (No.2) Act, 2009 has abolished the tax with effect from April 1, 2009. Deferred tax adjustments comprise changes in the deferred tax assets or liabilities during the year. 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 substantively enacted at the balance sheet date. The impact of changes in deferred tax assets and liabilities is recognised in the profit and loss account.

Deferred tax assets are recognised and re-assessed at each reporting date, based upon management's judgement as to whether their realisation is considered as reasonably certain.

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 with 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 as 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 estimates of amounts 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 to this effect 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 or disclose contingent assets, if any.

13. Earnings per share (EPS)

Basic and diluted earnings per share are computed in accordance with Accounting Standard 20 — Earnings per share.

Basic earnings per share is calculated by dividing the net profit or loss after tax for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

Diluted earnings per share reflect the potential dilution that could occur if contracts to issue equity shares were exercised or converted during the year. Diluted earnings per equity share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the year, 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 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.

SCHEDULE 19 — NOTES FORMING PART OF THE ACCOUNTS

The following additional disclosures have been made taking into account the requirements of accounting standards and Reserve Bank of India (RBI) guidelines in this regard.

1. Capital adequacy ratio

The Bank is subject to the capital adequacy norms stipulated by the RBI guidelines on Basel II which became applicable with effect from March 31, 2008. The guidelines require the Bank to maintain a minimum ratio of total capital to risk adjusted assets (CRAR) of 9.0%, with a minimum Tier I capital ratio of 6.0%. Prior to March 31, 2008, the Bank was subject to the capital adequacy norms as stipulated by the RBI guidelines on Basel I.

RBI has stipulated that the minimum capital maintained by banks on adoption of the Basel II framework shall be subject to a prudential floor, which shall be higher of the minimum capital required as per Basel II or a specified percentage of the minimum capital required as per Basel I (80% at March 31, 2010). The computation under Basel II guidelines results in a higher minimum capital requirement as compared to Basel I and hence the capital adequacy at March 31, 2010 has been maintained and reported by the Bank as per Basel II guidelines.

The following table sets forth, for the periods indicated, computation of capital adequacy.

	As per Basel I framework		As per Basel II framework	
	At March 31, 2010	At March 31, 2009	At March 31, 2010	At March 31, 2009
	(Rupees in million)			
Tier I capital	432,614.3	420,098.1	410,615.1	421,967.6
(Of which Lower Tier I)	*28,210.0*	*30,168.6*	*28,210.0*	*30,168.6*
Tier II capital	181,569.1	129,715.9	160,409.9	131,585.3
(Of which Upper Tier II)	*137,912.0*	*109,100.0*	*137,912.0*	*109,100.0*
Total capital	614,183.4	549,814.0	571,025.0	553,552.9
Total risk weighted assets	3,208,425.4	3,453,378.9	2,941,805.8	3,564,629.9
CRAR (%)	19.14%	15.92%	19.41%	15.53%
CRAR — Tier I capital (%)	13.48%	12.16%	13.96%	11.84%
CRAR — Tier II capital (%)	5.66%	3.76%	5.45%	3.69%
Amount raised by issue of Innovative Perpetual Debt Instruments (IPDI) during the year	—	—	—	—
Amount of subordinated debt raised as Tier II capital during the year	62,000.0	45,210.0	62,000.0	45,210.0

2. Business/information ratios

The following table sets forth, for the periods indicated, the business/information ratios.

		Year ended March 31, 2010	Year ended March 31, 2009
i)	Interest income to working funds[1]	7.19%	8.11%
ii)	Non-interest income to working funds[1]	2.09%	1.98%
iii)	Operating profit to working funds[1]	2.72%	2.33%
iv)	Return on assets[2]	1.13%	0.98%
v)	Profit per employee (Rs. in million)	1.2	1.1
vi)	Business per employee (average deposits plus average advances)[3] (Rs. in million)	102.9	115.4

1. For the purpose of computing the ratio, working funds represent the average of total assets as reported in Form X 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.

3. For the purpose of computing the ratio, deposits and advances are the total deposits and total advances as reported to RBI in Form A under Section 42(2) of the Reserve Bank of India Act, 1934. The average deposits and the average advances represent the simple average of the figures reported in Form A to RBI under Section 42(2) of the Reserve Bank of India Act, 1934.

3. Information about business and geographical segments

Business Segments

Pursuant to the guidelines issued by RBI on Accounting Standard 17 — (Segment Reporting) — Enhancement of Disclosures dated April 18, 2007, effective from year ended March 31, 2008, the following business segments have been reported.

- Retail Banking includes exposures which satisfy the four criteria of orientation, product, granularity and low value of individual exposures for retail exposures laid down in Basel Committee on Banking Supervision document "International Convergence of Capital Measurement and Capital Standards: A Revised Framework".

- Wholesale Banking includes all advances to trusts, partnership firms, companies and statutory bodies, which are not included under Retail Banking.

- Treasury includes the entire investment portfolio of the Bank.

- Other Banking includes hire purchase and leasing operations and other items not attributable to any particular business segment.

Income, expenses, assets and liabilities are either specifically identified with individual segments or are allocated to segments on a systematic basis.

All liabilities are transfer priced to a central treasury unit, which pools all funds and lends to the business units at appropriate rates based on the relevant maturity of assets being funded after adjusting for regulatory reserve requirements.

The following tables set forth, for the period indicated, the business segment results on this basis.

		For the year ended March 31, 2010				
	Particulars	Retail Banking	Wholesale Banking	Treasury	Other Banking Business	Total
		(Rupees in million)				
1	Revenue	177,244.1	192,541.3	247,978.0	4,375.7	622,139.1
2	Less: Inter-segment revenue					290,293.3
3	Total revenue (1) - (2)					331,845.8
4	Segment results	(13,335.1)	36,451.0	27,886.4	2,450.9	53,453.2
5	Unallocated expenses					—
6	Income tax expenses (net of deferred tax credit)					13,203.4
7	Net profit (4) - (5) - (6)					40,249.8
8	Segment assets	737,339.9	1,184,314.3	1,642,098.9	10,676.8	3,574,429.9
9	Unallocated assets[1]					59,567.3
10	Total assets (8) + (9)					3,633,997.2
11	Segment liabilities	1,186,393.0	915,021.2	1,525,898.6[2]	5,970.5	3,633,283.3
12	Unallocated liabilities					713.9
13	Total liabilities (11) + (12)					3,633,997.2
14	Capital expenditure	1,721.0	635.8	2.9	17.6	2,377.3
15	Depreciation	3,749.0	996.4	16.3	1,433.3	6,195.0

1. Includes tax paid in advance/tax deducted at source (net) and deferred tax asset (net).
2. Includes share capital and reserves and surplus.

Particulars		Retail Banking	Wholesale Banking	Treasury	Other Banking Business	Total
		For the year ended March 31, 2009				
		(Rupees in million)				
1	Revenue	230,152.1	248,077.1	295,908.7	6,125.7	780,263.6
2	Less: Inter-segment revenue					393,300.9
3	Total revenue (1) - (2)					386,962.7
4	**Segment results**	580.5	34,133.1	12,843.5	3,612.6	51,169.7
5	Unallocated expenses					—
6	Income tax expenses (net of deferred tax credit)					13,588.4
7	**Net profit (4) - (5) - (6)**					37,581.3
8	Segment assets	958,656.7	1,357,062.5	1,400,638.6	11,887.0	3,728,244.8
9	Unallocated assets[1]					64,764.8
10	**Total assets (8) + (9)**					3,793,009.6
11	Segment liabilities	1,117,555.2	1,111,564.6	1,529,581.8[2]	6,166.6	3,764,868.2
12	Unallocated liabilities					28,141.4
13	**Total liabilities (11) + (12)**					3,793,009.6
14	Capital expenditure	4,224.2	1,264.2	3.3	36.9	5,528.6
15	Depreciation	3,628.6	1,027.3	4.7	2,125.4	6,786.0

1. Includes tax paid in advance/tax deducted at source (net) and deferred tax asset (net).
2. Includes share capital and reserves and surplus.

Geographical segments

The Bank reports its operations under the following geographical segments.

- Domestic operations comprise branches in India
- Foreign operations comprise branches outside India and offshore banking unit in India.

The following tables set forth, for the periods indicated, geographical segmental results.

Revenue	Year ended March 31, 2010	Year ended March 31, 2009
	(Rupees in million)	
Domestic operations	287,247.7	347,986.2
Foreign operations	44,598.1	38,976.6
Total	331,845.8	386,962.8

Assets	At March 31, 2010	At March 31, 2009
	(Rupees in million)	
Domestic operations	2,963,616.4	3,004,203.2
Foreign operations	611,827.7	733,259.4
Total	3,575,444.1	3,737,462.6

	Capital expenditure incurred during the year ended		Depreciation provided during the year ended	
	March 31, 2010	March 31, 2009	March 31, 2010	March 31, 2009
	(Rupees in million)			
Domestic operations	2,341.0	5,431.7	6,147.6	6,734.1
Foreign operations	36.3	96.9	47.4	51.9
Total	2,377.3	5,528.6	6,195.0	6,786.0

4. Earnings per share

Basic and diluted earnings per 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 year. The diluted earnings per equity share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the year.

The following table sets forth, for the periods indicated, the computation of earnings per share.

	Year ended March 31, 2010	Year ended March 31, 2009
	(Rupees in million, except per share data)	
Basic		
Weighted average no. of equity shares outstanding	1,113,737,557	1,113,129,213
Net profit	40,249.8	37,581.3
Basic earnings per share (Rs.)	36.14	33.76
Diluted		
Weighted average no. of equity shares outstanding	1,118,224,665	1,115,328,034
Net profit	40,249.8	37,581.3
Diluted earnings per share (Rs.)	35.99	33.70
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, 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 following table sets forth the maturity pattern of assets and liabilities of the Bank at March 31, 2010.

Maturity buckets	Loans & Advances[2]	Investment securities[2]	Deposits[2]	Borrowings[2,3]	Total foreign currency assets	Total foreign currency liabilities
			(Rupees in million)			
Day 1[1]	5,611.1	157,239.2	32,042.0	391.9	35,810.8	18,545.8
2 to 7 days[1]	14,761.9	12,256.1	59,269.5	1,306.2	8,507.6	6,922.2
8 to 14 days[1]	11,134.4	12,895.5	96,406.6	11,072.9	9,116.6	12,425.4
15 to 28 days	20,104.7	74,070.6	50,419.0	11,213.4	17,080.5	18,698.5
29 days to 3 months	131,799.4	98,926.0	265,944.0	80,480.7	38,366.8	78,145.4
3 to 6 months	148,751.8	71,931.7	188,743.9	74,597.9	26,502.9	85,551.5
6 months to 1 year	248,066.9	97,333.9	276,686.1	76,724.4	39,432.1	69,197.5
1 to 3 years	713,445.1	295,899.3	1,030,992.7	302,987.4	218,294.1	223,871.9
3 to 5 years	292,216.2	39,413.6	15,503.1	88,361.1	106,911.0	85,270.9
Above 5 years	226,164.5	348,962.1	4,159.1	295,499.8	153,711.3	82,846.3
Total	1,812,056.0	1,208,928.0	2,020,166.0	942,635.7	653,733.7	681,475.4

1. The aforesaid disclosure is in accordance with the revised maturity buckets as per the RBI circular no.DBOD.BP.BC no.22/21.04.018/2009-10 dated July 1, 2009.
2. Includes foreign currency balances.
3. Includes borrowings in the nature of subordinated debts and preference shares as per RBI guidelines vide circular no. DBOD.BP.BC no. 81/21.01.002/2009-10.

b) The following table sets forth the maturity pattern of assets and liabilities of the Bank at March 31, 2009.

Maturity Buckets	Loans & Advances[1]	Investment securities[1]	Deposits[1]	Borrowings[1,2]	Total foreign currency assets	Total foreign currency liabilities
			(Rupees in million)			
1 to 14 days	77,002.6	116,387.7	159,613.6	17,973.0	92,686.3	52,220.8
15 to 28 days	18,547.3	45,611.8	80,388.8	20,224.0	12,581.7	26,476.9
29 days to 3 months	95,975.6	101,038.8	381,487.7	45,557.0	20,572.8	68,052.0
3 to 6 months	112,396.9	74,045.9	356,088.8	59,445.9	17,960.5	55,441.0
6 months to 1 year	220,770.0	99,709.9	458,313.7	80,134.0	29,985.6	87,612.2
1 to 3 years	887,376.0	260,527.2	731,623.0	257,189.3	156,996.3	215,855.3
3 to 5 years	423,545.6	25,850.1	14,368.4	190,317.0	219,948.8	164,054.1
Above 5 years	347,494.5	307,411.7	1,594.2	260,714.3	226,356.6	110,888.5
Total	2,183,108.5	1,030,583.1	2,183,478.2	931,554.5	777,088.6	780,600.8

1. Includes foreign currency balances.
2. Includes borrowings in the nature of subordinated debts and preference shares as per RBI guidelines vide circular no. DBOD.BP.BC no. 81/21.01.002/2009-10.

6. Related party transactions

The Bank has transactions with its related parties comprising subsidiaries, associates/joint ventures/other related entities, key management personnel and relatives of key management personnel.

Subsidiaries

ICICI Bank UK PLC, ICICI Bank Canada, ICICI Bank Eurasia Limited Liability Company, ICICI Prudential Life Insurance Company Limited[1], ICICI Lombard General Insurance Company Limited[1], ICICI Prudential Asset Management Company Limited[1], ICICI Securities Limited, ICICI Securities Primary Dealership Limited, ICICI Home Finance Company Limited, ICICI Venture Funds Management Company Limited, ICICI International Limited, ICICI Trusteeship Services Limited, ICICI Investment Management Company Limited, ICICI Securities Holdings Inc., ICICI Securities Inc., ICICI Prudential Trust Limited[1], ICICI Wealth Management Inc. (upto December 31, 2009) and ICICI Prudential Pension Funds Management Company Limited[2].

1. Jointly controlled entities.
2. For an entity that has been identified as a related party during the year ended March 31, 2010, previous year's comparative figures have not been reported.

Associates/joint ventures/other related entities

ICICI Equity Fund[1], ICICI Eco-net Internet and Technology Fund[1], ICICI Emerging Sectors Fund[1], ICICI Strategic Investments Fund[1], ICICI Kinfra Limited[1], ICICI West Bengal Infrastructure Development Corporation Limited[1], Financial Information Network and Operations Limited, TCW/ICICI Investment Partners LLC, TSI Ventures (India) Private Limited (upto June 30, 2008), I-Process Services (India) Private Limited, I-Solutions Providers (India) Private Limited, NIIT Institute of Finance, Banking and Insurance Training Limited, ICICI Venture Value Fund[1], Comm Trade Services Limited, Loyalty Solutions & Research Limited[1], Transafe Services Limited[1] (upto June 30, 2009), Prize Petroleum Company Limited, ICICI Foundation for Inclusive Growth, Firstsource Solutions Limited (upto December 31, 2009), I-Ven Biotech Limited[1], Rainbow Fund[2], Contests2win.com India Private Limited (upto March 31, 2009), Crossdomain Solutions Private Limited (upto March 31, 2009) and ICICI Merchant Services Private Limited[2].

1. Entities consolidated as per Accounting Standard (AS) 21 on 'Consolidated Financial Statements'.
2. For entities that have been identified as related parties during the year ended March 31, 2010, previous year's comparative figures have not been reported.

Key management personnel

Mr. K. V. Kamath[1], Ms. Chanda D. Kochhar, Mr. Sandeep Bakhshi[2], Mr. N. S. Kannan[2], Mr. K. Ramkumar[3], Mr. Sonjoy Chatterjee, Mr. V. Vaidyanathan[1], Ms. Madhabi Puri Buch[4].

Relatives of key management personnel

Ms. Rajalakshmi Kamath[1], Mr. Ajay Kamath[1], Ms. Ajnya Pai[1], Mr. Mohan Kamath[1], Mr. Deepak Kochhar, Mr. Arjun Kochhar, Ms. Aarti Kochhar, Mr. Mahesh Advani, Ms. Varuna Karna, Ms. Sunita R. Advani, Ms. Mona Bakhshi[2], Mr. Sameer Bakhshi[2], Ms. Rangarajan Kumudalakshmi[2], Ms. Aditi Kannan[2], Mr. Narayanan Raghunathan[2], Mr. Narayanan Rangarajan[2], Mr. Narayanan Krishnamachari[2], Ms. Narayanan Sudha[2], Mr. R. Shyam[3], Ms. R. Suchithra[3], Ms. J. Krishnaswamy[3], Mr. K. Jayakumar[3], Ms. Ameeta Chatterjee, Mr. Somnath Chatterjee, Mr. Tarak Nath Chatterjee, Ms. Sunaina Chatterjee, Ms. Nandini Chatterjee, Ms. Jeyashree V.[1], Mr. V. Satyamurthy[1], Mr. V. Krishnamurthy[1], Mr. K. Vembu[1], Mr. Dhaval Buch[4], Mr. Kamal Puri[4], Ms. Rama Puri[4].

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1. Transactions reported upto April 30, 2009.
2. Transactions reported with effect from May 1, 2009.
3. Transactions reported with effect from February 1, 2009.
4. Transactions reported upto January 31, 2009.

The following were the significant transactions between the Bank and its related parties for the year ended March 31, 2010. A specific related party transaction is disclosed as a material related party transaction wherever it exceeds 10% of all related party transactions in that category.

Insurance services

During the year ended March 31, 2010, the Bank paid insurance premium to insurance subsidiaries amounting to Rs. 1,162.5 million (March 31, 2009: Rs. 1,132.6 million). The material transaction for the year ended March 31, 2010 was payment of insurance premium to ICICI Lombard General Insurance Company Limited amounting to Rs. 1,057.3 million (March 31, 2009: Rs. 1,039.9 million).

During the year ended March 31, 2010, the Bank's insurance claims from the insurance subsidiaries amounted to Rs. 876.1 million (March 31, 2009: Rs. 965.1 million). The material transaction for the year ended March 31, 2010 was with ICICI Lombard General Insurance Company Limited amounting to Rs. 823.0 million (March 31, 2009: Rs. 924.1 million).

Fees and commission

During the year ended March 31, 2010, the Bank received fees from its subsidiaries amounting to Rs. 3,793.9 million (March 31, 2009: Rs. 3,704.8 million), from its associates/joint ventures/other related entities amounting to Rs. 5.3 million (March 31, 2009: Rs. 142.1 million), from key management personnel amounting to Rs. 0.2 million (March 31, 2009: Rs. 0.6 million) and from relatives of key management personnel amounting to Rs. 0.1 million (March 31, 2009: Nil). The material transactions for the year ended March 31, 2010 were with ICICI Securities Limited amounting to Rs. 437.4 million (March 31, 2009: Rs. 454.8 million), ICICI Prudential Life Insurance Company Limited amounting to Rs. 2,708.9 million (March 31, 2009: Rs. 2,385.3 million) and ICICI Lombard General Insurance Company Limited amounting to Rs. 403.5 million (March 31, 2009: Rs. 625.6 million).

During the year ended March 31, 2010, the Bank received commission from its subsidiaries amounting to Rs. 8.1 million (March 31, 2009: Rs. 9.0 million) and from its associates/joint ventures/other related entities amounting to Rs. 15.4 million (March 31, 2009: Rs. 7.5 million). The material transactions for the year ended March 31, 2010 were with ICICI Home Finance Company Limited amounting to Rs. 5.7 million (March 31, 2009: Rs. 7.8 million) and Firstsource Solutions Limited amounting to Rs. 15.3 million (March 31, 2009: Rs. 7.2 million).

Lease of premises and facilities

During the year ended March 31, 2010, the Bank recovered from its subsidiaries an amount of Rs. 1,493.9 million (March 31, 2009: Rs. 1,670.5 million) and from its associates/joint ventures/other related entities an amount of Rs. 34.5 million (March 31, 2009: Rs. 7.0 million) for lease of premises, facilities and other administrative costs. The material transactions for the year ended March 31, 2010 were with ICICI Securities Limited amounting to Rs. 231.9 million (March 31, 2009: Rs. 361.5 million), ICICI Home Finance

Company Limited amounting to Rs. 484.0 million (March 31, 2009: Rs. 344.2 million), ICICI Bank UK PLC amounting to Rs. 263.9 million (March 31, 2009: Rs. 431.6 million), ICICI Lombard General Insurance Company Limited amounting to Rs. 175.0 million (March 31, 2009: Rs. 202.4 million) and ICICI Prudential Life Insurance Company Limited amounting to Rs. 203.1 million (March 31, 2009: Rs. 164.0 million).

Secondment of employees

During the year ended March 31, 2010, the Bank received compensation from its subsidiaries amounting to Rs. 24.8 million (March 31, 2009: Rs. 277.1 million) and from its associates/joint ventures/other related entities amounting to Rs. 36.8 million (March 31, 2009: Rs. 16.8 million) for secondment of employees. The material transactions for the year ended March 31, 2010 were with ICICI Merchant Services Private Limited amounting to Rs. 22.5 million, ICICI Home Finance Company Limited amounting to Nil (March 31, 2009: Rs. 217.2 million), ICICI Securities Limited amounting to Rs. 13.0 million (March 31, 2009: Rs. 53.4 million), ICICI West Bengal Infrastructure Development Corporation Limited amounting to Rs. 9.8 million (March 31, 2009: Rs. 11.5 million) and ICICI Investment Management Company Limited amounting to Rs. 11.9 million (March 31, 2009: Nil).

Purchase of investments

During the year ended March 31, 2010, the Bank purchased certain investments from its subsidiaries amounting to Rs. 6,355.0 million (March 31, 2009: Rs. 15,170.3 million). The material transactions for the year ended March 31, 2010 were with ICICI Securities Primary Dealership Limited amounting to Rs. 5,414.1 million (March 31, 2009: Rs. 6,695.0 million) and ICICI Prudential Life Insurance Company Limited amounting to Rs. 704.7 million (March 31, 2009: Rs. 7,922.9 million).

During the year ended March 31, 2010, the Bank invested in the equity shares, preference shares and bonds of its subsidiaries amounting to Rs. 32.1 million (March 31, 2009: Rs. 41,755.0 million) and in its associates/joint ventures/other related entities amounting to Rs. 765.3 million (March 31, 2009: Nil). The material transactions for the year ended March 31, 2010 were with ICICI Merchant Services Private Limited amounting to Rs. 755.8 million, ICICI Prudential Life Insurance Company Limited amounting to Rs. 32.1 million (March 31, 2009: Rs. 8,081.6 million), ICICI Bank UK PLC amounting to Nil (March 31, 2009: Rs. 4,696.5 million) and ICICI Bank Canada amounting to Nil (March 31, 2009: Rs. 22,188.3 million).

At March 31, 2010 ICICI Bank has applied for equity shares in ICICI Securities Limited, which have not yet been allotted. The amount of application money is Rs. 1.00 billion.

Sale of investments

During the year ended March 31, 2010, the Bank sold certain investments to its subsidiaries amounting to Rs. 3,646.0 million (March 31, 2009: Rs. 11,547.9 million). The material transactions were with ICICI Securities Primary Dealership Limited amounting to Rs. 2,408.8 million (March 31, 2009: Rs. 5,103.5 million), ICICI Prudential Life Insurance Company Limited amounting to Rs. 1,237.2 million (March 31, 2009: Rs. 4,058.0 million) and with ICICI Bank UK PLC amounting to Nil (March 31, 2009: Rs. 1,836.0 million).

Investment in bonds and Certificate of Deposits (CDs) issued by ICICI Bank

During the year ended March 31, 2010, subsidiaries have invested in bonds issued by the Bank amounting to Rs. 650.0 million (March 31, 2009: Nil). The material transactions for the year ended March 31, 2010 were with ICICI Securities Primary Dealership Limited amounting to Rs. 150.0 million (March 31, 2009: Nil) and with ICICI Prudential Life Insurance Company Limited amounting to Rs. 500.0 million (March 31, 2009: Nil).

During the year ended March 31, 2010, subsidiaries have invested in certificate of deposits (CDs) issued by the Bank amounting to Rs. 11,173.9 million (March 31, 2009: Rs. 2,306.8 million). The material transactions for the year ended March 31, 2010 were with ICICI Securities Primary Dealership Limited amounting to Rs. 2,338.6 million (March 31, 2009: Nil) and with ICICI Prudential Life Insurance Company Limited amounting to Rs. 8,131.2 million (March 31, 2009: Rs. 2,306.8 million).

Redemption/buyback and conversion of investments

During the year ended March 31, 2010, the Bank received a consideration from its subsidiaries amounting to Nil (March 31, 2009: Rs. 583.5 million) on account of redemption/buyback of equity shares by subsidiaries and from its associates/joint ventures/other related entities amounting to Rs. 1,379.9 million

(March 31, 2009: Rs. 183.5 million) on account of redemption/buyback/distribution of loss on units/equity shares by associates/joint ventures/other related entities. The material transactions were with ICICI Emerging Sectors Fund amounting to Rs. 846.4 million (March 31, 2009: Nil), ICICI Eco-net Internet and Technology Fund amounting to Rs. 533.5 million (March 31, 2009: Nil), ICICI Securities Primary Dealership Limited amounting to Nil (March 31, 2009: Rs. 583.5 million) and ICICI Equity Fund amounting to Nil (March 31, 2009: Rs. 125.0 million).

Reimbursement of expenses

During the year ended March 31, 2010, the Bank reimbursed expenses to its subsidiaries amounting to Rs. 11.7 million (March 31, 2009: Rs. 60.8 million). The material transactions were with ICICI Bank Canada amounting to Rs. 11.7 million (March 31, 2009: Nil) and ICICI Home Finance Company Limited amounting to Nil (March 31, 2009: Rs. 60.8 million).

Brokerage and fee expenses

During the year ended March 31, 2010, the Bank paid brokerage/fees to its subsidiaries amounting to Rs. 865.5 million (March 31, 2009: Rs. 627.0 million) and to its associates/joint ventures/other related entities amounting to Rs. 1,346.2 million (March 31, 2009: Rs. 2,151.2 million). The material transactions for the year ended March 31, 2010 were with I-Process Services (India) Private Limited amounting to Rs. 686.1 million (March 31, 2009: Rs. 1,027.5 million), ICICI Home Finance Company Limited amounting to Rs. 608.2 million (March 31, 2009: Rs. 438.7 million) and Loyalty Solutions & Research Limited amounting to Rs. 407.0 million (March 31, 2009: Rs. 673.6 million).

Custodial charges income

During the year ended March 31, 2010, the Bank recovered custodial charges from its subsidiaries amounting to Rs. 1.6 million (March 31, 2009: Rs. 11.4 million) and from its associates/joint ventures/other related entities amounting to Rs. 3.3 million (March 31, 2009: Rs. 3.3 million). The material transactions were with ICICI Securities Primary Dealership Limited amounting to Rs. 1.5 million (March 31, 2009: Rs. 7.6 million), ICICI Emerging Sectors Fund amounting to Rs. 1.3 million (March 31, 2009: Rs. 1.0 million), ICICI Strategic Investments Fund amounting to Rs. 1.1 million (March 31, 2009: Rs. 1.1 million), ICICI Equity Fund amounting to Rs. 0.8 million (March 31, 2009: Rs. 0.9 million), and ICICI Lombard General Insurance Company Limited amounting to Rs. 0.1 million (March 31, 2009: Rs. 3.8 million).

Interest expenses

During the year ended March 31, 2010, the Bank paid interest to its subsidiaries amounting to Rs. 902.2 million (March 31, 2009: Rs. 869.3 million), to its associates/joint ventures/other related entities amounting to Rs. 3.3 million (March 31, 2009: Rs. 11.6 million), to its key management personnel amounting to Rs. 2.5 million (March 31, 2009: Rs. 2.3 million) and to relatives of key management personnel amounting to Rs. 1.2 million (March 31, 2009: Rs. 1.3 million). The material transactions for the year ended March 31, 2010 were with ICICI Securities Limited amounting to Rs. 159.3 million (March 31, 2009: Rs. 171.0 million), ICICI Bank UK PLC amounting to Rs. 49.8 million (March 31, 2009: Rs. 98.9 million), ICICI Prudential Life Insurance Company Limited amounting to Rs. 420.4 million (March 31, 2009: Rs. 427.7 million), ICICI Lombard General Insurance Company Limited amounting to Rs. 54.0 million (March 31, 2009: Rs. 94.3 million) and with ICICI Bank Eurasia Limited Liability Company amounting to Rs. 146.8 million (March 31, 2009: Rs. 3.1 million).

Interest income

During the year ended March 31, 2010, the Bank received interest from its subsidiaries amounting to Rs. 1,588.0 million (March 31, 2009: Rs. 1,468.2 million), from its associates/joint ventures/other related entities amounting to Rs. 2.9 million (March 31, 2009: Rs. 5.3 million), from its key management personnel amounting to Rs. 0.5 million (March 31, 2009: Rs. 2.3 million) and from relatives of key management personnel amounting to Rs. 1.0 million (March 31, 2009: Rs. 0.3 million). The material transactions for the year ended March 31, 2010 were with ICICI Home Finance Company Limited amounting to Rs. 913.7 million (March 31, 2009: Rs. 520.3 million), ICICI Bank Eurasia Limited Liability Company amounting to Rs. 351.0 million (March 31, 2009: Rs. 547.1 million) and with ICICI Bank UK PLC amounting to Rs. 123.3 million (March 31, 2009: Rs. 171.2 million).

Other income

The Bank undertakes derivative transactions with its subsidiaries, associates, joint ventures and other related entities. The Bank manages its foreign exchange and interest rate risks arising from these transactions by covering them in the market. During the year ended March 31, 2010, the loss on derivative transactions entered into with subsidiaries was Rs. 17,346.2 million (March 31, 2009: gain of Rs. 16,054.5 million) and the loss was Rs. 220.9 million (March 31, 2009: loss of Rs. 0.3 million) with its associates/joint ventures/other related entities. The material transactions for the year ended March 31, 2010 were gain of Rs. 495.2 million (March 31, 2009: gain of Rs. 2,447.9 million) with ICICI Bank UK PLC, loss of Rs. 17,913.1 million (March 31, 2009: gain of Rs. 11,931.0 million) with ICICI Bank Canada, loss of Rs. 50.7 million (March 31, 2009: gain of Rs. 1,795.0 million) with ICICI Securities Primary Dealership Limited and gain of Rs. 215.8 million (March 31, 2009: loss of Rs. 40.6 million) with ICICI Home Finance Company Limited. While the Bank covers these transactions in the market, the above amounts represent only the transactions with its subsidiaries, associates, joint ventures and other related entities and not the offsetting/covering transactions, which results in lower net impact on the profit and loss account.

Dividend income

During the year ended March 31, 2010, the Bank received dividend from its subsidiaries amounting to Rs. 3,692.7 million (March 31, 2009: Rs. 3,348.2 million). The material transactions for the year ended March 31, 2010 were with ICICI Home Finance Company Limited amounting to Rs. 934.0 million (March 31, 2009: Rs. 740.6 million), ICICI Securities Limited amounting to Rs. 920.0 million (March 31, 2009: Rs. 240.1 million), ICICI Lombard General Insurance Company Limited amounting to Rs. 476.1 million (March 31, 2009: Nil), ICICI Securities Primary Dealership Limited amounting to Rs. 422.1 million (March 31, 2009: Rs. 1,300.5 million), ICICI Prudential Asset Management Company Limited amounting to Rs. 409.6 million (March 31, 2009: Rs. 117.0 million) and ICICI Venture Funds Management Company Limited amounting to Rs. 260.0 million (March 31, 2009: Rs. 950.0 million).

Dividend paid

During the year ended March 31, 2010, the Bank paid dividend to its key management personnel amounting to Rs. 4.5 million (March 31, 2009: Rs. 10.2 million). The dividend paid to Mr. K. V. Kamath during the year ended March 31, 2009 was Rs. 5.4 million, dividend paid during the year ended March 31, 2010 to Ms. Chanda D. Kochhar was Rs. 3.0 million (March 31, 2009: Rs. 3.0 million), to Mr. Sandeep Bakhshi was Rs. 0.03 million, to Mr. N. S. Kannan was Rs. 0.9 million, to Mr. K. Ramkumar was Rs. 0.2 million (March 31, 2009: Rs. 0.2 million), to Mr. Sonjoy Chatterjee was Rs. 0.3 million (March 31, 2009: Rs. 0.3 million), to Ms. Madhabi Puri Buch during the year ended March 31, 2009 was Rs. 1.1 million and to Mr. V. Vaidyanathan during the year ended March 31, 2009 was Rs. 0.2 million.

Remuneration to wholetime directors

Remuneration paid to the wholetime directors of the Bank during the year ended March 31, 2010 was Rs. 119.4 million (March 31, 2009: Rs. 91.7 million). The remuneration paid for the year ended March 31, 2010 to Mr. K. V. Kamath was Rs. 4.1 million (March 31, 2009: Rs. 30.8 million), to Ms. Chanda D. Kochhar was Rs. 17.3 million (March 31, 2009: Rs. 18.4 million), to Mr. Sandeep Bakhshi was Rs. 12.6 million, to Mr. N. S. Kannan was Rs. 10.2 million, to Mr. K. Ramkumar was Rs. 53.7 million (includes perquisite value of Rs. 40.6 million on employee stock options (ESOPs) exercised) (March 31, 2009: Rs. 1.6 million), to Mr. Sonjoy Chatterjee was Rs. 19.6 million (includes perquisite value of Rs. 7.9 million on ESOPs exercised) (March 31, 2009: Rs. 13.0 million), to Ms. Madhabi Puri Buch during the year ended March 31, 2009 was Rs. 13.5 million and to Mr. V. Vaidyanathan was Rs. 1.9 million (March 31, 2009: Rs. 14.4 million).

Sale of fixed assets

During the year ended March 31, 2010, the Bank sold fixed assets to its subsidiaries amounting to Rs. 574.2 million (March 31, 2009: Rs. 65.3 million). The material transaction for the year ended March 31, 2010 was with ICICI Home Finance Company Limited amounting to Rs. 570.0 million (March 31, 2009: Rs. 58.3 million).

Purchase of fixed assets

During the year ended March 31, 2010, the Bank purchased fixed assets from its subsidiaries amounting to Rs. 21.3 million (March 31, 2009: Rs. 1.2 million) and from its associates/joint ventures/other related entities amounting to Nil (March 31, 2009: Rs. 13.0 million). The material transactions were with ICICI Securities Limited amounting to Rs. 19.2 million (March 31, 2009: Nil) and Financial Information Network and Operations Limited amounting to Nil (March 31, 2009: Rs. 12.4 million).

Donation

During the year ended March 31, 2010, the Bank has given donation to ICICI Foundation for Inclusive Growth amounting to Rs. 153.0 million (March 31, 2009: Rs. 300.0 million).

Transfer of merchant acquiring operations

During the year ended March 31, 2010, the Bank and First Data, a company engaged in electronic commerce and payment services, formed a merchant acquiring alliance and a new entity, 81% owned by First Data, was formed, which has acquired ICICI Bank's merchant acquiring operations through transfer of assets, primarily comprising fixed assets and receivables, and assumption of liabilities, for a total consideration of Rs. 3,744.0 million. This transfer of assets and liabilities to the new entity would be considered a 'slump sale' for tax purposes. The Bank realised a profit of Rs. 2,029.0 million from this transaction, which is included in Schedule 14 - "Other income".

Letters of Comfort

The Bank has issued letters of comfort on behalf of its banking subsidiaries, ICICI Bank UK PLC and ICICI Bank Canada. The details of the letters are given below.

On behalf of	To	Purpose
ICICI Bank UK PLC	Financial Services Authority, UK ('FSA')	Financially support ICICI Bank UK PLC to ensure that it meets all of its obligations as they fall due.
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.

The Bank has issued an undertaking on behalf of ICICI Securities Inc. for Singapore dollar 10.0 million (Rs. 320.8 million) to the Monetary Authority of Singapore (MAS) that is included in the contingent liabilities.

As per the assessment made, there is no likely financial impact of the above letters issued to overseas regulators at March 31, 2010.

In addition to the above, the Bank has also issued letters of comfort in the nature of letters of awareness on behalf of banking and non-banking subsidiaries in respect of their borrowings made or proposed to be made and for other incidental business purposes. As they are in the nature of factual statements or confirmation of facts, they do not create any financial impact or financial obligations for the Bank.

The letters of comfort that are outstanding at March 31, 2010 pertain to facilities aggregating equivalent to Rs. 76,408.0 million (March 31, 2009: Rs. 191,583.1 million) as availed of by such subsidiaries. Additionally, the repayments of facilities pertaining to which such letters were issued, aggregate to Rs. 32,157.6 million and letters that were withdrawn during the year ended March 31, 2010 pertained to facilities aggregating to Rs. 153,500.0 million. The letters as re-issued pertain to facilities aggregating to Rs. 71,210.0 million availed of by such subsidiaries.

As advised by RBI, the Bank has also provided additional capital of Rs. 3,312.4 million on the letters of comfort that are in the nature of letters of awareness issued on behalf of its subsidiaries for their borrowing programmes.

Related party balances

The following table sets forth, the balance payable to/receivable from subsidiaries/joint ventures/associates/other related entities/key management personnel and relatives of key management personnel at March 31, 2010.

Items/Related party	Subsidiaries	Associates/joint ventures/other related entities	Key Management Personnel	Relatives of Key Management Personnel	Total
			(Rupees in million)		
Deposits with ICICI Bank	15,564.7	357.2	32.9	15.8	15,970.6
Deposits by ICICI Bank	17.6	—	—	—	17.6
Call/term money lent	4,041.0	—	—	—	4,041.0
Call/term money borrowed	2,245.0	—	—	—	2,245.0
Advances	13,724.0	42.5	6.7	8.1	13,781.3
Investments by ICICI Bank	132,687.9	10,358.1	—	—	143,046.0
Investments by related parties in ICICI Bank	1,121.0	—	3.6	—	1,124.6
Receivables	1,784.7	286.2	—	—	2,070.9
Payables	859.7	341.1	—	—	1,200.8
Guarantees/lines of credit	1,029.0	0.1	—	—	1,029.1
Swaps/forward contracts (notional amount)	261,038.4	—	—	—	261,038.4
Employee stock options outstanding (numbers)	—	—	1,254,250	—	1,254,250
Employee stock options exercised[1]	—	—	46.3	—	46.3

1. During the year ended March 31, 2010, 121,875 employee stock options were exercised.

The following table sets forth, the maximum balance payable to/receivable from subsidiaries/joint ventures/associates/other related entities/key management personnel and relatives of key management personnel during year ended March 31, 2010.

Items/Related party	Subsidiaries	Associates/joint ventures/other related entities	Key Management Personnel	Relatives of Key Management Personnel	Total
			(Rupees in million)		
Deposits with ICICI Bank	16,899.9	734.2	60.2	23.2	17,717.5
Deposits by ICICI Bank	1,589.9	—	—	—	1,589.9
Call/term money lent	11,291.6	—	—	—	11,291.6
Call/term money borrowed	7,079.7	—	—	—	7,079.7
Advances	19,494.4	208.3	26.1	12.2	19,741.0
Investments by ICICI Bank	132,687.9	12,159.2	—	—	144,847.1
Investments by related parties in ICICI Bank	2,043.0[1]	—	9.1	0.3	2,052.4
Receivables	4,737.0	464.0[1]	—	—	5,201.0
Payables	1,850.8[1]	341.1[1]	—	—	2,191.9
Guarantees/lines of credit	4,226.5	2,390.0	—	—	6,616.5
Swaps/forward contracts (notional amount)	647,121.7	3,878.9	—	—	651,000.6

1. Maximum balances are determined based on comparison of the total outstanding balances at each quarter end during the financial year.

The following table sets forth, the balance payable to/receivable from subsidiaries/joint ventures/associates/other related entities/key management personnel and relatives of key management personnel at March 31, 2009.

Items/Related party	Subsidiaries	Associates/joint ventures/other related entities	Key Management Personnel	Relatives of Key Management Personnel	Total
			(Rupees in million)		
Deposits with ICICI Bank	12,390.3	434.2	56.7	16.9	12,898.1
Deposits by ICICI Bank	55.8	—	—	—	55.8
Call/term money lent	4,260.5	—	—	—	4,260.5
Call/term money borrowed	3,544.7	—	—	—	3,544.7
Advances	19,294.0	42.5	7.9	7.5	19,351.9
Investments by ICICI Bank	131,711.6	12,034.2	—	—	143,745.8
Investments by related parties in ICICI Bank	794.8	—	9.3	—	804.1
Receivables	1,964.3	239.4	—	—	2,203.7
Payables	67.8	289.5	—	—	357.3
Guarantees/lines of credit	3,404.5	1,916.1	—	—	5,320.6
Swaps/forward contracts (notional amount)	550,751.0	—	—	—	550,751.0
Employee stock options outstanding (numbers)	—	—	3,318,125	—	3,318,125
Employee stock options exercised[1]	—	—	—	—	—

1. During the year ended March 31, 2009, no employee stock options were exercised.

The following table sets forth, the maximum balance payable to/receivable from subsidiaries/joint ventures/associates/other related entities/key management personnel and relatives of key management personnel during the year ended March 31, 2009.

Items/Related party	Subsidiaries	Associates/joint ventures/other related entities	Key Management Personnel	Relatives of Key Management Personnel	Total
			(Rupees in million)		
Deposits with ICICI Bank	16,899.9	845.0	119.7	38.0	17,902.6
Deposits by ICICI Bank	1,589.9	—	—	—	1,589.9
Call/term money lent	10,922.1	—	—	—	10,922.1
Call/term money borrowed	3,690.5	—	—	—	3,690.5
Advances	20,981.4	208.3	63.6	7.6	21,260.9
Investments by ICICI Bank	131,711.6	12,159.2	—	—	143,870.8
Investments by related parties in ICICI Bank	2,043.0[1]	—	9.3	—	2,052.3
Receivables	3,649.0	464.0[1]	—	—	4,113.0
Payables	1,382.6[1]	289.5[1]	—	—	1,672.1
Guarantees/lines of credit	3,407.2	2,441.4	—	—	5,848.6
Swaps/forward contracts (notional amount)	647,121.7	880.4	—	—	648,002.1

1. Maximum balances are determined based on comparison of the total outstanding balances at each quarter end during the financial year.

7. Securitisation

The Bank sells loans through securitisation and direct assignment. The following tables set forth, for the periods indicated the information on securitisation and direct assignment activity of the Bank as an originator.

	Year ended March 31, 2010	Year ended March 31, 2009
	(Rupees in million, except number of loans securitised)	
Total number of loan assets securitised	33	7,053
Total book value of loan assets securitised	81,309.4	8,581.1
Sale consideration received for the securitised assets	81,493.7	8,621.9
Net gain/(loss) on account of securitisation[1]	(5,093.8)	(3,211.5)

1. Includes loss booked upfront on sales during the year, gain/(loss) on deal closures, gain amortised during the year and expenses relating to utilisation of credit enhancement.

	At March 31, 2010	At March 31, 2009
	(Rupees in million)	
Outstanding credit enhancement (funded)	9,987.3	13,086.1
Outstanding liquidity facility	3,196.9	6,853.4
Net outstanding servicing asset/(liability)	225.7	748.9
Outstanding subordinate contributions	7,424.3	8,849.0

The outstanding credit enhancement in the form of guarantees amounted to Rs. 19,920.0 million at March 31, 2010 (March 31, 2009: Rs. 27,732.9 million).

Outstanding credit enhancement in the form of guarantees for third party originated securitisation transactions amounted to Rs. 6,442.0 at March 31, 2010 (March 31, 2009: Rs. 6,520.5) and outstanding liquidity facility for third party originated securitisation transactions amounted to Rs. 0.2 million at March 31, 2010 (March 31, 2009: Rs. 4.0 million).

The following table sets forth, for the periods indicated, the details of provision created at the time of securitisation.

Particulars	Year ended March 31, 2010	Year ended March 31, 2009
	(Rupees in million)	
Opening balance	5,567.2	9,186.7
Add: Additions during the period	1,038.4	630.5
Less: Deductions during the period	4,351.8	4,250.0
Closing balance	2,253.8	5,567.2

8. Staff retirement benefits

Pension

The following tables set forth, for the periods indicated, reconciliation of opening and closing balance of the present value of the defined benefit obligation for pension benefits.

Particulars	Year ended March 31, 2010	Year ended March 31, 2009
	(Rupees in million)	
Opening obligations	1,932.2	1,678.1
Service cost	51.8	62.5
Interest cost	134.5	146.6
Actuarial (gain)/loss	(32.1)	484.8
Liabilities extinguished on settlement	(287.7)	(364.2)
Benefits paid	(50.0)	(75.6)
Obligations at end of year	1,748.7	1,932.2
Opening plan assets, at fair value	2,145.3	1,490.1
Expected return on plan assets	169.9	117.4
Actuarial gain/(loss)	(130.7)	144.8
Assets distributed on settlement	(322.6)	(395.8)
Contributions	28.0	864.4
Benefits paid	(50.0)	(75.6)
Closing plan assets, at fair value	1,839.9	2,145.3
Fair value of plan assets at the end of the year	1,839.9	2,145.3
Present value of the defined benefit obligations at the end of the year	1,748.7	1,932.2
Amount not recognised as an asset (limit in Para 59(b))	7.7	51.2
Asset/(liability)	83.5	161.9
Cost for the year		
Service cost	51.8	62.5
Interest cost	134.5	146.6
Expected return on plan assets	(169.9)	(117.4)
Actuarial (gain)/loss	98.6	340.0
Curtailments & settlements (gain)/loss	34.9	31.6
Effect of the limit in para 59(b)	(43.5)	51.2
Net cost	106.4	514.5

Investment details of plan assets

Majority of the plan assets are invested in Government securities and corporate bonds.

Assumptions		
Interest rate	7.75%	6.85%
Salary escalation rate	7.00%	7.00%
Estimated rate of return on plan assets	8.00%	8.00%

Experience adjustment

Particulars	Year ended March 31, 2010	Year ended March 31, 2009	Year ended March 31, 2008	Year ended March 31, 2007
	(Rupees in million)			
Plan assets	1,839.9	2,145.3	1,490.1	988.5
Defined benefit obligations	1,748.7	1,932.2	1,678.1	1,029.4
Amount not recognised as an asset (limit in para 59(b))	7.7	51.2	—	—
Surplus/(deficit)	83.5	161.9	(188.0)	(40.9)
Experience adjustment on plan assets	(130.7)	144.8	(117.9)	(110.1)
Experience adjustment on plan liabilities	196.9	6.6	(121.9)	32.8

Gratuity

The following tables set forth, for the periods indicated, reconciliation of opening and closing balance of the present value of the defined benefit obligation for gratuity benefits.

Particulars	Year ended March 31, 2010	Year ended March 31, 2009
	(Rupees in million)	
Opening obligations	2,195.7	1,840.4
Add: Adjustment for exchange fluctuation on opening obligations	(4.8)	6.4
Add: Addition due to amalgamation/initial recognition of foreign branches	—	0.9
Service cost	276.9	321.6
Interest cost	161.5	183.9
Actuarial (gain)/loss	(144.9)	140.3
Transitional obligation/(asset)	—	—
Liability assumed on acquisition/(settled on divestiture)	(8.4)	(28.8)
Benefits paid	(165.5)	(269.0)
Obligations at end of year	2,310.5	2,195.7
Opening plan assets, at fair value	2,272.1	1,506.7
Expected return on plan assets	186.9	128.5
Actuarial gain/(loss)	168.8	(118.0)
Contributions	45.2	1,052.7
Assets acquired on acquisition/(distributed on divestiture)	—	(28.8)
Benefits paid	(165.5)	(269.0)
Closing plan assets, at fair value	2,507.5	2,272.1
Fair value of plan assets at the end of the year	2,507.5	2,272.1
Present value of the defined benefit obligations at the end of the year	2,310.5	2,195.7
Amount not recognised as an asset (limit in Para 59(b))	47.9	7.9
Asset/(liability)	149.1	68.5
Cost for the year		
Service cost	276.9	321.6
Interest cost	161.5	183.9
Expected return on plan assets	(186.9)	(128.5)
Actuarial (gain)/loss	(313.7)	258.3
Exchange fluctuation loss/(gain)	(4.8)	6.4
Transitional obligation/(asset)	—	—
Effect of the limit in para 59(b)	40.0	7.9
Net cost	(27.0)	649.6

Investment details of plan assets

Majority of the plan assets are invested in Government securities and corporate bonds.

Assumptions		
Interest rate	7.75%	6.85%
Salary escalation rate	7.00%	7.00%
Estimated rate of return on plan assets	8.00%	8.00%

Experience adjustment

Particulars	Year ended March 31, 2010	Year ended March 31, 2009	Year ended March 31, 2008	Year ended March 31, 2007
	(Rupees in million)			
Plan assets	2,507.5	2,272.1	1,506.7	891.7
Defined benefit obligations	2,310.5	2,195.7	1,840.4	1,142.1
Amount not recognised as an asset (limit in para 59(b))	47.9	7.9	—	—
Surplus/(deficit)	149.1	68.5	(333.7)	(250.4)
Experience adjustment on plan assets	168.8	(118.0)	(24.8)	(18.0)
Experience adjustment on plan liabilities	(0.8)	(4.1)	14.0	38.1

The estimates of future salary increases, considered in actuarial valuation, take into consideration inflation, seniority, promotion and other relevant factors.

The guidance on implementing Accounting Standard 15 - Employee Benefits (revised 2005) issued by the Accounting Standards Board (ASB) provides that exempt provident funds which require employers to meet the interest shortfall are in effect defined benefit plans. The Bank's actuary has informed that it is not practicable to actuarially determine the interest shortfall obligation.

9. 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 5.0% of the aggregate number of the issued equity shares of the Bank on the date(s) of the grant of options. Under the stock option scheme, eligible employees are entitled to apply for equity shares. Options granted in April 2009 vest in a graded manner over a five year period with 20.0%, 20.0%, 30.0% and 30.0% of grant vesting each year, commencing from the end of 24 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. No options have been granted to wholetime Directors for fiscal 2009.

In terms of the scheme, 18,763,460 options (March 31, 2009: 18,992,504 options) granted to eligible employees were outstanding at March 31, 2010.

As per the scheme, the exercise price of the Bank's options is the last closing price on the stock exchange, which recorded highest trading volume preceding the date of grant of options. Hence, there is no compensation cost for the year ended March 31, 2010 based on intrinsic value of options. However, if the Bank had used the fair value of options based on the Black-Scholes model, compensation cost for the year ended March 31, 2010 would have been higher by Rs. 901.2 million and proforma profit after tax would have been Rs. 39.35 billion. On a proforma basis, the Bank's basic and diluted earnings per share would have been Rs. 35.33 and Rs. 35.19 respectively. The following table sets forth, the key assumptions used to estimate the fair value of options granted during the year ended March 31, 2010.

Risk-free interest rate	6.53% to 7.76%
Expected life	6.35 to 6.85 years
Expected volatility	48.65% to 49.18%
Expected dividend yield	1.22% to 2.53%

The weighted average fair value of options granted during the year ended March 31, 2010 is Rs. 199.91 (March 31, 2009: Rs. 331.19).

The following table sets forth, for the periods indicated, summary of the status of the Bank's stock option plan.

Particulars	Stock option outstanding			
	Year ended March 31, 2010		Year ended March 31, 2009	
	Number of options	Weighted Average Exercise Price	Number of options	Weighted Average Exercise Price
	(Rupees, except number of options)			
Outstanding at the beginning of the year	18,992,504	685.05	15,638,152	596.32
Add: Granted during the year	1,731,000	434.78	5,640,500	912.30
Less: Lapsed during the year	365,372	661.78	1,723,001	737.40
Less: Exercised during the year	1,594,672	366.38	563,147	336.96
Outstanding at the end of the year	18,763,460	689.50	18,992,504	685.05
Options exercisable	10,104,780	609.18	7,188,420	496.10

The following table sets forth, summary of stock options outstanding at March 31, 2010.

Range of exercise price (Rupees per share)	Number of shares arising out of options	Weighted average exercise price (Rupees per share)	Weighted average remaining contractual life (Number of years)
105-299	117,601	146.21	2.03
300-599	9,339,639	462.04	6.08
600-999	9,238,220	923.24	7.61
1,000-1,399	68,000	1,114.57	7.65

The options were exercised regularly throughout the period and weighted average share price as per National Stock Exchange (NSE) price volume data during the year ended March 31, 2010 was Rs. 853.80 (March 31, 2009: Rs. 723.55).

The Finance (No.2) Act, 2009 has abolished fringe benefit tax and introduced tax on the perquisite value in the hands of the employees which is computed on the difference between the fair market value on date of exercise and the exercise price with effect from April 1, 2009.

10. Preference shares

Certain government securities amounting to Rs. 2,405.2 million at March 31, 2010 (March 31, 2009: Rs. 2,356.6 million) have been earmarked against redemption of preference shares issued by the Bank, which fall due for redemption on April 20, 2018, as per the original issue terms.

11. Subordinated debt

During the year ended March 31, 2010, the Bank raised subordinated debt qualifying for Tier II capital amounting to Rs. 62,000.0 million. The following table sets forth the details of these bonds.

Particulars	Date of Issue	Coupon Rate (%)	Tenure	Amount
		(Rupees in million)		
Lower Tier II	April 22, 2009	9.30% (annually)	10 years	15,000.0
Upper Tier II	August 31, 2009	8.92% (semi-annually)[1]	15 years[1]	10,000.0
Lower Tier II	December 9, 2009	8.75% (annually)	10 years	13,200.0
Upper Tier II	January 12, 2010	8.90% (annually)[2]	15 years[2]	7,800.0
Upper Tier II	January 29, 2010	8.81% (semi-annually)[3]	15 years[3]	16,000.0
Total				62,000.0

1. 50 basis points over and above the coupon rate payable semi-annually for the balance years after August 30, 2019, if the call option is not exercised by the Bank; call option exercisable on August 31, 2019 with RBI approval.
2. 50 basis points over and above the coupon rate payable annually for the balance years after February 27, 2020, if the call options is not exercised by the Bank; call option exercisable on February 28, 2020 with RBI approval.
3. 50 basis points over and above the coupon rate payable annually for the balance years after February 27, 2020, if the call options is not exercised by the Bank; call option exercisable on February 28, 2020 with RBI approval.

During the year ended March 31, 2010, the Bank has also raised an amount of Rs. 25,000.0 million towards application money on subordinated debt bonds which is pending for allotment at March 31, 2010.

During the year ended March 31, 2009, the Bank raised subordinated debt qualifying for Tier II capital amounting to Rs. 45,210.0 million. The following table sets forth the details of these bonds.

Particulars	Date of Issue	Coupon Rate (%)	Tenure	Amount
		(Rupees in million)		
Upper Tier II (Tranche 3)	June 20, 2008	10.00% (annually)[1]	15 years[1]	7,500.0
Upper Tier II	September 22, 2008	11.25% (annually)[1]	15 years[1]	10,000.0
Upper Tier II	November 11, 2008	12.00% (annually)[2]	15 years[2]	15,000.0
Upper Tier II	March 26, 2009	9.95% (annually)[3]	15 years[3]	12,710.0
Total				45,210.0

1. 50 basis points over and above the coupon rate payable annually for the balance years after October 31, 2018, if the call option is not exercised by the Bank; call option exercisable on October 31, 2018 with RBI approval.
2. 50 basis points over and above the coupon rate payable annually for the balance years after November 30, 2018, if the call option is not exercised by the Bank; call option exercisable on November 30, 2018 with RBI approval.
3. 50 basis points over and above the coupon rate payable annually for the balance years after March 26, 2019, if the call option is not exercised by the Bank; call option exercisable on March 26, 2019 with RBI approval.

12. Investments

The following table sets forth, for the periods indicated, the details of investments and the movement of provision held towards depreciation on investments of the Bank.

	Particulars	At March 31, 2010	At March 31, 2009
		(Rupees in million)	
1.	Value of Investments		
i)	Gross value of investments		
	a) In India	1,129,332.3	947,314.5
	b) Outside India	91,756.8	97,586.3
ii)	Provision for depreciation		
	a) In India	(11,779.5)	(12,530.7)
	b) Outside India	(381.6)	(1,787.0)
iii)	Net value of investments		
	a) In India	1,117,552.8	934,783.8
	b) Outside India	91,375.2	95,799.3
2.	Movement of provisions held towards depreciation on investments		
i)	Opening balance	14,317.7	6,698.5
ii)	Add: Provisions made during the year	4,647.5	8,912.7
iii)	Less: Write-off/write back of excess provisions during the year	(6,804.1)	(1,293.5)
iv)	Closing balance	12,161.1	14,317.7

13. Investment in securities, other than government and other approved securities (Non-SLR investments)

i) Issuer composition of investments in securities, other than government and other approved securities.

a) The following tables set forth, the issuer composition of investments of the Bank in securities, other than government and other approved securities at March 31, 2010.

No.	Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities[2]	Extent of 'unrated' securities[3,4,5]	Extent of 'unlisted' securities[3,4,6]
			(a)	(b)	(c)	(d)
				(Rupees in million)		
1	PSUs	9,394.5	3,035.0	13.5	0.0	0.0
2	FIs	5,458.7	2,022.4	—	987.8	1,068.5
3	Banks	105,435.6	63,704.4	2,375.7	5,623.8	11,595.5
4	Private corporates	60,293.2	41,292.4	—	9,142.2	10,906.2
5	Subsidiaries/Joint ventures	132,687.9	324.1	—	—	—
6	Others[7]	222,074.1	69,687.8	37,352.5	224.5	224.5
7	Provision held towards depreciation	(12,097.3)	—	—	—	—
	Total	523,246.7	180,066.1	39,741.7	15,978.3	23,794.7

1. Amounts reported under columns (a), (b), (c) and (d) above are not mutually exclusive.
2. Excludes investments in non-Indian government securities by branches amounting to Rs. 1,279.5 million.
3. Excludes Rs. 11,499.8 million of application money towards corporate bonds/debentures.
4. Excludes investments, amounting to Rs. 6,226.9 million, in preference shares of subsidiaries and Rs. 4,456.1 million in subordinated bonds of subsidiaries, namely ICICI Bank UK PLC and ICICI Bank Canada. This also excludes investments in non-Indian government securities of Rs. 1,645.0 million made by overseas branches.
5. Excludes equity shares, units of equity-oriented mutual fund and units of venture capital fund.
6. Excludes equity shares, units of equity-oriented mutual fund, units of venture capital fund, pass through certificates, security receipts, commercial paper and certificates of deposit.
7. Other investments include deposit with NABARD under RIDF Deposit Scheme amounting to Rs. 101,096.8 million (March 31, 2009: Rs. 59,999.4 million).
8. Collateralised debt obligations securities have been included in the above data based on the arranger of such instruments.

b) The following table sets forth, the issuer composition of investments of the Bank in securities other than government and other approved securities at March 31, 2009.

No.	Issuer	Amount	Extent of private placement[2]	Extent of 'below investment grade' securities[3]	Extent of 'unrated' securities[2,4,5]	Extent of 'unlisted' securities[2,4,6]
			(a)	(b)	(c)	(d)
				(Rupees in million)		
1	PSUs	946.1	—	22.8	—	—
2	FIs	14,279.1	8,981.6	—	45.6	126.3
3	Banks	40,794.4	12,688.2	1,876.6	8,723.8	15,469.9
4	Private corporates	32,554.1	15,972.6	—	8,961.2	5,525.9
5	Subsidiaries/ Joint ventures	131,711.6	324.1	—	—	—
6	Others[7]	188,604.2	73,680.5	33,536.3	—	—
7	Provision held towards depreciation	(12,174.7)	—	—	—	—
	Total	396,714.8	111,647.0	35,435.7	17,730.6	21,122.1

1. Amounts reported under columns (a), (b), (c) and (d) above are not mutually exclusive.
2. Includes Nil application money towards corporate bonds/debentures.
3. Excludes investments in non-Indian government securities by branches amounting to Rs. 590.1 million.
4. Excludes investments, amounting to Rs. 6,192.6 million, in preference shares of subsidiaries, namely ICICI Bank UK PLC and ICICI Bank Canada. This also excludes investments in non-Indian government securities of Rs. 953.4 million made by overseas branches.
5. Excludes equity shares, units of equity-oriented mutual fund and units of venture capital fund.
6. Excludes equity shares, units of equity-oriented mutual fund, units of venture capital fund, pass through certificates, security receipts, commercial paper and certificates of deposit.
7. Other investments include deposit with NABARD under RIDF Deposit Scheme amounting to Rs. 59,999.4 million.
8. Collateralised debt obligations securities have been included in the above data based on the arranger of such instruments.

ii) Non-performing investments in securities, other than government and other approved securities

The following table sets forth, for the periods indicated, the movement in gross non-performing investments in securities, other than government and other approved securities.

Particulars	Year ended March 31, 2010	Year ended March 31, 2009
	(Rupees in million)	
Opening balance	3,829.1	3,689.6
Additions during the year	2,626.3	278.7
Reduction during the year	(1,236.1)	(139.2)
Closing balance	5,219.3	3,829.1
Total provision held	3,599.8	3,213.8

14. Repurchase transactions

The following table sets forth, for the periods indicated, the details of securities sold and purchased under repos and reverse repos.

	Minimum outstanding balance during the year	Maximum outstanding balance during the year	Daily average outstanding balance during the year	Balance at year end
	(Rupees in million)			
Year ended March 31, 2010				
Securities sold under repurchase transaction	—	304,922.4	160,895.7	27,301.0
Securities purchased under reverse repurchase transaction	—	—	—	—
Year ended March 31, 2009				
Securities sold under repurchase transaction	—	145,875.0	66,861.3	22,092.3
Securities purchased under reverse repurchase transaction	—	10,499.7	31.5	—

1. The above figures do not include securities sold and purchased under Liquidity Adjustment Facility (LAF) of RBI.
2. The above figures are for Indian branches only.
3. Minimum, maximum & average outstanding is based on first leg of transaction & balance outstanding is based on book value.
4. Corporate debt securities sold and purchased under repo and reverse repo transactions is Nil.

15. Reconciliation of nostro account

In terms of RBI circular no. DBOD.BP.BC.No. 133/21.04.018/2008-09 dated May 11, 2009, Rs. 10.4 million representing outstanding credit balances of individual value less than US$ 2,500 or equivalent lying in nostro account, which were originated up to March 31, 2002 and parked in blocked account, was transferred to profit and loss account during the year ended March 31, 2010.

16. CBLO transactions

Collateralised Borrowing and Lending Obligation (CBLO) is a discounted money market instrument, developed by The Clearing Corporation of India Limited (CCIL) and approved by RBI which involves secured borrowings and lending transactions. At March 31, 2010, the Bank had outstanding borrowings amounting to Nil and outstanding lending amounting to Nil in the form of CBLO. The amortised book value of securities given as collateral by the Bank to CCIL for availing the CBLO facility was Rs. 44,699.4 million at March 31, 2010.

17. Lending to sensitive sectors

The Bank has lending to sectors, which are sensitive to asset price fluctuations. The sensitive sectors include capital markets and real estate.

The following table sets forth, for the periods indicated, the position of lending to capital market sector.

		At March 31, 2010	At March 31, 2009
		(Rupees in million)	
	Capital market sector		
i)	Direct investment in equity shares, convertible debentures and units of equity-oriented mutual funds, the corpus of which is not exclusively invested in corporate debt	22,082.3	13,167.9
ii)	Advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds	34,463.6	7,408.5
iii)	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security	5,315.6	271.7
iv)	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds	330.6	609.7
v)	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers	22,771.3	22,890.5
vi)	Loans sanctioned to corporate against the security of shares/bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources	—	—
vii)	Bridge loans to companies against expected equity flows/issues	—	—
viii)	Underwriting commitments taken up by the Bank in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds	—	—
ix)	Financing to stockbrokers for margin trading	—	—
x)	All exposures to Venture Capital Funds (both registered and unregistered)	12,214.3	13,564.3
xi)	Others	14,091.8	3,922.2
	Total Exposure to Capital Market	111,269.5	61,834.8

The following table sets forth, for the periods indicated, the summary of lending to real estate sector.

		At March 31, 2010	At March 31, 2009
		(Rupees in million)	
	Real estate sector		
I	Direct exposure	579,950.5	697,579.8
i)	Residential mortgages of which: individual housing loans eligible for priority sector advances	434,865.1 205,019.4	545,263.3 266,820.6
ii)	Commercial real estate[1]	135,198.6	142,441.7
iii)	Investments in mortgage backed securities (MBS) and other securitised exposure	9,886.8	9,874.8
	a. Residential	9,886.8	9,874.8
	b. Commercial real estate	—	—
II	Indirect exposure	58,756.8	70,441.1
i)	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	58,104.1	66,477.4
ii)	Others	652.7	3,963.7
	Total Exposure to Real Estate Sector[2]	638,707.3	768,020.9

1. Commercial real estate exposure include loans to individuals against non-residential premises, loans given to land and building developers for construction, corporate loans for development of special economic zone, loans to borrowers where servicing of loans is from a real estate activity and exposures to mutual funds/venture capital funds/private equity funds investing primarily in the real estate companies.

2. Excludes non-banking assets acquired in satisfaction of claims.

18. Details of Single Borrower Limit and Borrower Group Limit exceeded by the Bank

During the year ended March 31, 2010, the Bank's exposure to any single borrower and borrower group were within the limits prescribed by RBI except in the cases of Reliance Industries Limited, Barclays Bank PLC and ICICI Prudential Flexible Income Plan where exposures to single borrowers were above the stipulated ceiling of 15.0% of capital funds. At March 31, 2010, the exposure to these borrowers as percentage of capital funds was: Reliance Industries Limited: 15.7%, Barclays Bank PLC: 10.7% and ICICI Prudential Flexible Income Plan: 5.4%.

The excess exposure in the above cases were duly approved/confirmed by the Board of Directors of the Bank with exposures being within 20.0% of Bank's capital funds in accordance with the guidelines issued by RBI.

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 funded country exposure (net) of the Bank as a percentage of total funded assets for United Kingdom was 1.44% (March 31, 2009: 1.22%), Canada was 1.11% (March 31, 2009: 1.05%) and United States of America was 0.66% (March 31, 2009: 1.34%). As the net funded exposure to United Kingdom and Canada exceeds 1.0% of total funded assets, the Bank has made a provision of Rs. 235.0 million on country exposures at March 31, 2010 (Provision at March 31, 2009: Rs. 285.0 million).

The following table sets forth, for the periods indicated, the details of exposure (net) and provision held by the bank.

Risk category	Exposure (net) at March 31, 2010	Provision held at March 31, 2010	Exposure (net) at March 31, 2009	Provision held at March 31, 2009
	(Rupees in million)			
Insignificant	392,684.7	235.0	442,570.4	285.0
Low	131,940.9	—	172,910.8	—
Moderate	25,024.4	—	21,870.7	—
High	696.4	—	784.1	—
Very High	—	—	22.8	—
Restricted	—	—	—	—
Off-Credit	—	—	—	—
Total	550,346.4	235.0	638,158.8	285.0
- Of which: funded	245,144.8	—	289,482.0	—

20. Advances

The following table sets forth, for the periods indicated, the details of movement of gross non-performing assets (NPAs), net NPAs and provisions.

Particulars	Year ended March 31, 2010	Year ended March 31, 2009
	(Rupees in million)	
i) Net NPAs (funded) to Net Advances (%)	2.12%	2.09%
ii) Movement of NPAs (Gross)		
a) Opening balance	96,493.1	75,795.4
b) Additions during the year[1, 2]	32,513.2	50,637.1
c) Reductions during the year[1]	(34,199.8)	(29,939.4)
d) Closing balance	94,806.5	96,493.1
iii) Movement of Net NPAs		
a) Opening balance	45,539.4	34,905.5
b) Additions during the year[1, 2]	1,452.5	19,824.5
c) Reductions during the year[1]	(8,580.8)	(9,190.6)
d) Closing balance	38,411.1	45,539.4
iv) Movement of provisions for NPAs (excluding provision on standard assets)		
a) Opening balance[3]	50,953.7	39,432.7
b) Provisions made during the year[4]	41,809.2	35,615.4
c) Write-off/write-back of excess provisions	(36,367.5)	(24,094.4)
d) Closing balance[3]	56,395.4	50,953.7

1. Includes cases added to and deleted from NPAs during the year ended March 31, 2010, with such gross loans amounting to Rs. 1,060.2 million (March 31, 2009: Rs. 4,713.0 million) and such net loans amounting to Rs. 936.5 million (March 31, 2009: Rs. 4,066.8 million).
2. The difference between the opening and closing balances (other than accounts written off during the year) of NPAs in retail loans is included in additions during the year.
3. Net of write-off.
4. The difference between the opening and closing balances (adjusted for write-off and sale of NPAs during the year) of provisions in retail loans is included in provisions made during the year.

21. Unsecured advances against intangible assets

The Bank has made advances against intangible collaterals of the borrowers which are classified as 'unsecured' in its financial statements. At March 31, 2010, the amount of such advances was Nil and the estimated value of the intangible collaterals was Nil.

22. Financial assets transferred during the year to securitisation company (SC)/reconstruction company (RC)

The Bank has transferred certain assets to Asset Reconstruction Companies (ARCs) 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 trusts managed by ARCs, the security receipts are valued at their respective NAVs as advised by the ARCs.

The following table sets forth, for the periods indicated, the details of the assets transferred.

	Year ended March 31, 2010	Year ended March 31, 2009
	(Rupees in million, except number of accounts)	
Number of accounts	55,160[1]	18,429
Aggregate value (net of provisions) of accounts sold to SC/RC	7,617.9	6,810.7
Aggregate consideration	7,866.7	6,737.9
Additional consideration realised in respect of accounts transferred in earlier years[2]	—	—
Aggregate gain/(loss) over net book value	248.8	(72.8)

1. Excludes accounts previously written-off.
2. During the year ended March 31, 2010, Asset Reconstruction Company (India) Limited (ARCIL) fully redeemed security receipts of three trusts. The Bank realised Rs. 89.8 million over the gross book value in respect of these trusts (March 31, 2009: Rs. 27.6 million).

23. Provision on standard assets

The Bank makes provision on standard assets as per RBI guidelines. The Bank has adopted the revised rates for making provision on standard assets during the year ended March 31, 2010, in accordance with RBI circular no. DBOD.BP.BC.58/ 21.04.048/2009-10 dated November 5, 2009.

The Bank has not written back any standard asset provision pursuant to the RBI circular no. DBOD.BP.BC.83/21.01.002/2008-09 dated November 15, 2008. The provision on standard assets held by the Bank at March 31, 2010 was Rs. 14,360.6 million (March 31, 2009: Rs. 14,360.6 million).

24. Provisions and contingencies

The following table sets forth, for the periods indicated, the break-up of provisions and contingencies included in profit and loss account.

	Year ended March 31, 2010	Year ended March 31, 2009
	(Rupees in million)	
Provisions for depreciation of investments	(26.5)	977.3
Provision towards non-performing assets	43,621.6	37,690.3
Provision towards standard assets	—	(190.0)
Provision towards income tax[1]	13,173.4	13,558.4
Provision towards wealth tax	30.0	30.0
Other provision and contingencies	273.5	(395.0)

1. Includes fringe benefit tax amounting to Nil for the year ended March 31, 2010 (March 31, 2009: Rs. 342.0 million) and creation of net deferred tax asset amounting to Rs. (2,804.4) million for the year ended March 31, 2010 (March 31, 2009: Rs. (4,716.7) million).

25. Movement in provision for credit card/debit card reward points

The following table sets forth, for the periods indicated, movement in provision for credit card/ debit card reward points.

	Year ended March 31, 2010	Year ended March 31, 2009
	(Rupees in million)	
Opening provision for reward points	232.0	576.3
Provision for reward points made during the year	476.0	599.4
Utilisation/write-back of provision for reward points	438.3	943.7
Closing provision for reward points[1]	269.7	232.0

1. The closing provision is based on the actuarial valuation of accumulated credit/debit card reward points. This amount will be utilised towards redemption of the credit/debit card reward points.

26. Description of contingent liabilities

The following table sets forth description of contingent liabilities.

Sr. no.	Contingent liability	Brief Description
1	Claims against the Bank not acknowledged as debts	This item represents demands made in certain tax and legal matters against the Bank in the normal course of business. The Bank does not consider these matters to have a material adverse financial impact in excess of provisions already made in the financial statements.
2	Liability for partly paid investments	These represent amounts remaining unpaid towards purchase of investments. These payment obligations of the Bank do not have any profit/loss impact.
3	Liability on account of outstanding forward exchange contracts	The Bank enters into foreign exchange forward contracts in its normal course of business, to exchange currencies at a pre-fixed price at a future date. This item represents the notional principal amount of such contracts, which are derivative instruments. With respect to the transactions entered into with its customers, the Bank generally enters into off-setting transactions in the inter-bank market. This results in generation of a higher number of outstanding transactions, and hence a large value of gross notional principal of the portfolio, while the net market risk is lower.
4	Guarantees given on behalf of constituents, acceptances, endorsements and other obligations	These items represent the guarantees and documentary credits issued by the Bank as part of its trade finance banking activities, on behalf of its customers in favour of third parties, with a view to augment the customers' credit standing. Through these instruments, the Bank undertakes to make payments for its customers' obligations, either directly or in case of failure of the customers to fulfil their financial or performance obligations.
5	Currency swaps, interest rate swaps, currency options and interest rate futures	This item represents the notional principal amounts of various derivative instruments which the Bank undertakes in its normal course of business. The Bank offers these products to its customers to enable them to transfer, modify or reduce their foreign exchange and interest rate risks. The Bank also undertakes these contracts to manage its own interest rate and foreign exchange positions. With respect to the transactions entered into with its customers, the Bank generally enters into off-setting transactions in the inter-bank market. This results in generation of a higher number of outstanding transactions, and hence a large value of gross notional principal of the portfolio, while the net market risk is lower.
6	Other items for which the Bank is contingently liable	Other items for which the Bank is contingently liable include primarily the securitisation, notional principal amounts of credit derivatives and repurchase obligations. The Bank is also obligated under a number of capital contracts. Capital contracts are job orders of a capital nature which have been committed.

27. Information in respect of restructured assets

The following table sets forth, for the periods indicated, details of loan assets subjected to restructuring.

		Year ended March 31, 2010			Year ended March 31, 2009		
		CDR Mechanism	SME Debt Restructuring	Others	CDR Mechanism	SME Debt Restructuring	Others
		(Rupees in million)					
Standard advances restructured[3]	Number of Borrowers	11	11	3,806	1	7	937
	Amount outstanding	14,186.6	397.6	40,918.8	928.0	406.4	13,282.7
	Of which: restructured amount	*12,444.3*	*251.4*	*39,248.4*	*912.2*	*263.9*	*9,917.5*
	Sacrifice (diminution in the fair value)	1,006.0	4.8	1,406.5	107.0	12.2	196.0
Sub-standard advances restructured	Number of Borrowers	3	1	98	—	—	51
	Amount outstanding	640.2	77.8	288.2	—	—	213.4
	Of which: restructured amount	*624.3*	*77.8*	*244.9*	—	—	*213.4*
	Sacrifice (diminution in the fair value)	80.7	5.9	8.7	—	—	12.0
Doubtful advances restructured	Number of Borrowers	—	—	3	—	—	—
	Amount outstanding	—	—	207.2	—	—	—
	Of which: restructured amount	—	—	*187.8*	—	—	—
	Sacrifice (diminution in the fair value)	—	—	17.5	—	—	—
Total	Number of Borrowers	14	12	3,907	1	7	988
	Amount outstanding	14,826.8	475.4	41,414.2	928.0	406.4	13,496.2
	Of which: restructured amount	*13,068.7*	*329.2*	*39,681.0*	*912.2*	*263.9*	*10,130.9*
	Sacrifice (diminution in the fair value)	1,086.6	10.8	1,432.7	107.0	12.2	208.0

1. The above disclosure for the year ended March 31, 2010, includes the reversal of interest income of Rs. 704.3 million on account of conversion of overdue interest into Funded Interest Term Loan (FITL).
2. The aforesaid disclosure excludes the reversal of derivative income of Rs. 303.1 million during the year ended March 31, 2010 on account of conversion of derivative receivables into term loan/preference shares.
3. Includes eight borrowal accounts restructured for a second time with asset classification benefit upto June 30, 2009, amounting to Rs. 24,280.8 million against which sacrifice (diminution in fair value) is Rs. 1,498.1 million.

28. Details of non-performing assets purchased/sold, excluding those sold to SC/RC

The Bank has sold certain 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 following table sets forth, for the periods indicated, details of non-performing assets sold, excluding those sold to SC/RC.

Particulars	Year ended March 31, 2010	Year ended March 31, 2009
	(Rupees in million, except no. of accounts)	
No. of accounts	7,428[1]	—
Aggregate value (net of provisions) of accounts sold, excluding those sold to SC/RC	479.0	—
Aggregate consideration	463.6	—
Aggregate gain/(loss) over net book value	(15.4)	—

1. Excludes accounts previously written off.

29. Fixed Assets

The following table sets forth, for the periods indicated, the movement in software acquired by the Bank, as included in fixed assets.

Particulars	At March 31, 2010	At March 31, 2009
	(Rupees in million)	
At cost at March 31st of preceding year	5,267.4	4,448.8
Additions during the year	824.9	818.6
Deductions during the year	(239.7)	—
Depreciation to date	(4,043.3)	(3,509.5)
Net block	1,809.3	1,757.9

30. Assets given on lease

Assets under finance lease

The following table sets forth, for the periods indicated, the details of finance leases.

Particulars	At March 31, 2010	At March 31, 2009
	(Rupees in million)	
Future minimum lease receipts		
Present value of lease receipts	17.4	174.8
Unmatured finance charges	0.2	9.3
Total	17.6	184.1
Maturity profile of future minimum lease receipts		
- Not later than one year	17.6	176.4
- Later than one year and not later than five years	—	7.7
- Later than five years	—	—
Total	17.6	184.1

Maturity profile of present value of lease rentals

The following table sets forth, for the periods indicated, the details of maturity profile of present value of finance lease receipts.

Particulars	At March 31, 2010	At March 31, 2009
	(Rupees in million)	
Not later than one year	17.4	167.3
Later than one year and not later than five years	—	7.5
Later than five years	—	—
Total	17.4	174.8

31. Provisions for income tax

The provision for income tax (including deferred tax) for the year ended March 31, 2010 amounted to Rs. 13,173.4 million (March 31, 2009: Rs. 13,558.4 million). The levy of fringe benefit tax (FBT) is not applicable as the Finance (No.2) Act, 2009 has abolished FBT with effect from financial year 2009-10.

The Bank has a comprehensive system of maintenance of information and documents required by transfer pricing legislation under section 92-92F of the Income Tax Act, 1961. The Bank is of the opinion that all international transactions are at arm's length so that the above legislation will not have material impact on the financial statements.

32. Deferred tax

At March 31, 2010, the Bank has recorded net deferred tax asset of Rs. 20,756.7 million (March 31, 2009: Rs. 17,923.1 million), which has been included in other assets.

The following table sets forth, for the periods indicated, the break-up of deferred tax assets and liabilities into major items.

	At March 31, 2010	At March 31, 2009
	(Rupees in million)	
Deferred tax asset		
Provision for bad and doubtful debts	23,597.6	21,597.8
Capital loss	—	131.4
Others	1,827.4	1,680.3
Total deferred tax assets	25,425.0	23,409.5
Deferred tax liability		
Depreciation on fixed assets	4,671.1	5,460.1
Total deferred tax liability	4,671.1	5,460.1
Deferred tax asset/(liability) pertaining to foreign branches	2.8	(26.3)
Total net deferred tax asset/(liability)	20,756.7	17,923.1

33. Dividend distribution tax

For the purpose of computation of dividend distribution tax on the proposed dividend, the Bank has reduced the dividend distribution tax on dividend received from its Indian subsidiaries as per the provisions of section 115-O of the Income Tax Act, 1961 read with Finance Bill, 2010 and Section 294 of the Income Tax Act, 1961.

34. 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 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 there to. The RCB comprises independent directors and the Managing Director and CEO.

Risk monitoring of the derivatives portfolio including credit derivatives is done on a daily basis. The Bank generally 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, including credit derivatives is reported on a daily basis.

The use of derivatives for hedging purposes 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.

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. The premium on option contracts is accounted for as per Foreign Exchange Dealers Association of India (FEDAI). Derivative transactions are covered under International Swap Dealers Association (ISDA) master agreements with the respective counter parties. The exposure on account of derivative transactions is marked against the credit limits approved for the respective counter-parties.

The following tables set forth, for the period indicated, details of derivative positions.

Sr. No.	Particulars	At March 31, 2010 Currency derivatives[1]	Interest rate derivatives[2]
		(Rupees in million)	
1	Derivatives (Notional principal amount)		
	a) For hedging	23,432.8	235,286.1
	b) For trading	1,136,020.6	3,145,275.0
2	Marked to market positions[3]		
	a) Asset (+)	13,891.8	1,459.8
	b) Liability (-)	—	—
3	Credit exposure[4]	115,703.5	91,886.0
4	Likely impact of one percentage change in interest rate (100*PV01)[5]		
	a) On hedging derivatives[6]	58.2	7,288.5
	b) On trading derivatives	1,380.6	1,646.7
5	Maximum and minimum of 100*PV01 observed during the year		
	a) On hedging[6]		
	Maximum	(54.6)	(6,835.8)
	Minimum	(323.9)	(9,071.7)
	b) On trading		
	Maximum	(1,358.8)	2,322.6
	Minimum	(2,121.7)	1,282.0

1. Options and cross currency interest rate swaps and currency futures 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 including accrued interest. Represents net positions.
4. Includes accrued interest.
5. Amounts given are absolute values on a net basis, excluding options.
   The swap contracts entered for hedging purpose would have an opposite and offsetting impact with the underlying on-balance sheet items.

Sr. No.	Particulars	At March 31, 2009 Currency derivatives[1]	Interest rate derivatives[2]
		(Rupees in million)	
1	Derivatives (Notional principal amount)		
	a) For hedging	21,807.6	236,802.8
	b) For trading	1,190,839.4	3,270,348.6
2	Marked to market positions[3]		
	a) Asset (+)	24,141.6	3,592.7
	b) Liability (-)	—	—
3	Credit exposure[4]	156,118.5	123,036.2
4	Likely impact of one percentage change in interest rate (100*PV01)[5]		
	a) On hedging derivatives[6]	212.6	8,902.0
	b) On trading derivatives	2,446.3	1,943.3
5	Maximum and minimum of 100*PV01 observed during the year		
	a) On hedging[6]		
	Maximum	(194.2)	(7,993.6)
	Minimum	(564.4)	(11,031.3)
	b) On trading		
	Maximum	(1,813.7)	5,597.0
	Minimum	(2,710.5)	61.5

1. Options and cross currency interest rate swaps and currency futures 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 including accrued interest. Represents net positions.
4. Includes accrued interest.
5. Amounts given are absolute values on a net basis, excluding options.
6. The swap contracts entered for hedging purpose would have an opposite and offsetting impact with the underlying on-balance sheet items.

The Bank deals in credit derivative instruments including credit default swaps, credit linked notes, collateralised debt obligations and principal protected structures. The notional principal amount of these credit derivatives outstanding at March 31, 2010 was Rs. 15,400.7 million (March 31, 2009: Rs. 18,411.4 million) in funded instruments and Rs. 32,881.1 million (March 31, 2009: Rs. 38,712.6 million) in non-funded instruments which includes Rs. 224.5 million (March 31, 2009: Rs. 253.6 million) of protection bought by the Bank.

The profit and loss impact on the above portfolio on account of mark-to-market and realised gains/losses during the year ended March 31, 2010 was net profit of Rs. 3,974.2 million (March 31, 2009: net loss of Rs. 2,754.3 million). At March 31, 2010, the total outstanding mark-to-market position of the above portfolio was a net loss of Rs. 610.1 million (March 31, 2009: net loss of Rs. 4,843.9 million). The credit derivatives are marked to market by the Bank based on counter-party valuation quotes, or internal models using inputs from market sources such as Bloomberg/Reuters, counter-parties and FIMMDA.

The Bank offers deposit products to customers of its offshore branches with structured returns linked to interest, forex, credit or equity benchmarks. The Bank covers these exposures in the inter-bank market. At March 31, 2010, the net open position on this portfolio was Rs. 32.6 million (March 31, 2009: Rs. 116.9 million) with mark-to-market loss of Rs. 3.0 million (March 31, 2009: loss Rs. 37.5 million) at that date, which has been provided for through profit and loss account.

The notional principal amount of forex contracts classified as non-trading at March 31, 2010 amounted to Rs. 182,911.8 million (March 31, 2009: Rs. 205,635.1 million).

The notional principal amount of forex contracts classified as trading at March 31, 2010 amounted to Rs. 1,477,775.4 million (March 31, 2009: Rs. 2,378,035.8 million).

The net overnight open position at March 31, 2010 was Rs. 293.2 million (March 31, 2009: Rs. 512.3 million).

35. Forward rate agreement (FRA)/Interest rate swaps (IRS)

The following table sets forth, for the periods indicated, the details of the forward rate agreements/interest rate swaps.

Particulars	At March 31, 2010	At March 31, 2009
	(Rupees in million)	
i) The notional principal of rupee swap agreements	1,870,819.1	1,942,528.9
ii) Losses which would be incurred if all counter parties failed to fulfil their obligations under the agreement[1]	20,533.2	35,591.8
iii) Collateral required by the Bank upon entering into swaps	—	—
iv) Concentration of credit risk arising from the rupee swaps[2]	500.0	919.7
v) The fair value of rupee trading swap book[3]	(180.5)	622.1

1. For trading portfolio both mark-to-market and accrued interest have been considered and for hedging portfolio, only accrued interest has been considered.
2. Credit risk concentration is measured as the highest net receivable under swap contracts from a particular counter party.
3. Fair value represents mark-to-market including accrued interest.

36. Exchange traded interest rate derivatives

The following table sets forth, for the periods indicated, the details of exchange traded interest rate derivatives.

Particulars	At March 31, 2010	At March 31, 2009
	(Rupees in million)	
i) Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise)		
a) Euro dollar futures	—	—
b) Treasury note futures — 10 years	—	7,608.0
c) Treasury note futures — 5 years	—	—
d) Treasury note futures — 2 years	—	6,390.7
e) NSE — GOI Bond futures	0.2	N.A
ii) Notional principal amount of exchange traded interest rate derivatives outstanding (instrument-wise)		
a) Euro dollar futures	—	—
b) Treasury note futures — 10 years	—	—
c) Treasury note futures — 5 years	—	—
d) Treasury note futures — 2 years	—	—
e) NSE — GOI Bond futures	—	N.A
iii) Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument wise)	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

37. Penalties/fines imposed by RBI and other banking regulatory bodies

There was no penalty imposed by RBI and other banking regulatory bodies during the year ended March 31, 2010 (March 31, 2009: Rs. 400).

38. Small and micro enterprises

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2, 2006, certain disclosures are required to be made relating enterprises covered under the Act. During the year ended March 31, 2010, the amount paid to vendors registered under the MSMED Act, 2006 after the due date was Rs. 65.2 million (March 31, 2009: Nil). An amount of Rs. 1.7 million (March 31, 2009: Nil) has been charged to profit & loss account towards accrual of interest on these delayed payments.

39. Farm loan waiver

The Ministry of Finance, Government of India had issued guidelines for the implementation of the Agriculture debt waiver and relief scheme for farmers on May 23, 2008. The Bank has implemented the scheme as per guidelines issued by RBI circular DBOD No.BP.BC.26/21.04.048/2008-09 dated July 30, 2008 on "Agricultural Debt Waiver and Debt Relief Scheme, 2008 — Prudential norms on income recognition, asset classification and provisioning and Capital Adequacy".

Pursuant to the scheme an aggregate amount of Rs. 2,758.1 million (March 31, 2009: Rs. 2,666.7 million) has been waived which is recoverable from Government of India. Of the above, an amount of Rs. 1,220.8 million has been received by March 31, 2010 (March 31, 2009: Rs. 773.0 million) and balance of Rs. 1,537.3 million (March 31, 2009:Rs. 1,893.7 million) is receivable in future.

40. Transfer of merchant acquiring operations

During the year ended March 31, 2010, the Bank and First Data, a global company engaged in electronic commerce and payment services, formed a merchant acquiring alliance and a new entity, 81.0% owned by First Data, was formed, which has acquired ICICI Bank's merchant acquiring operations through transfer of assets, primarily comprising fixed assets and receivables, and assumption of liabilities, for a total consideration of Rs. 3,744.0 million. This transfer of assets and liabilities to the new entity would be considered a 'slump sale' for tax purposes. The Bank realised a profit of Rs. 2,029.0 million from this transaction, which is included in Schedule 14 - "Other income".

41. Provision Coverage Ratio

The provision coverage ratio of the Bank at March 31, 2010 computed as per the RBI circular dated December 1, 2009 is 59.5%. The Bank has been permitted by RBI to achieve the stipulated level of 70.0% in a phased manner by March 31, 2011.

42. Bancassurance

During the year March 31, 2010, the Bank earned fees/remuneration of Rs. 2,955.9 million in respect of the bancassurance business.

43. Concentration of Deposits, Advances, Exposures and NPAs

RBI has recently issued new guidelines for additional disclosures by Banks vide its circular reference DBOD.BP.BC.No.79/21.04.018/2009-10. The following tables set forth, for the periods indicated, the additional disclosures.

(I) Concentration of deposits, advances, exposures and NPAs

Concentration of Deposits	Year ended March 31, 2010	Year ended March 31, 2009
	(Rupees in million)	
Total deposits of twenty largest depositors	304,189.2	424,751.8
Deposits of twenty largest depositors as a percentage of total deposits of the Bank	15.06%	19.45%

Concentration of advances[1]	Year ended March 31, 2010	Year ended March 31, 2009
	(Rupees in million)	
Total advances to twenty largest non-bank borrowers	881,190.5	817,692.1
Advances to twenty largest borrowers as percentage of total advances of the Bank	18.09%	15.24%

1. Represents credit exposure as per RBI guidelines on exposure norms. Total advances do not include the exposure to consolidated entities which are deducted from capital funds of the Bank.

Concentration of exposures[1]	Year ended March 31, 2010	Year ended March 31, 2009
	(Rupees in million)	
Total exposure to twenty largest non-bank borrowers	904,426.8	860,515.8
Exposures to twenty largest non-bank borrowers as percentage of total exposure of the Bank on borrowers.	17.50%	15.42%

1. Represents credit and investment exposures as per RBI guidelines on exposure norms. Total exposure does not include the exposure to consolidated entities which are deducted from capital funds of the Bank. It also does not include SLR investments and mandatory contributions towards shortfall in advances to priority sector.

Concentration of NPAs	Year ended March 31, 2010	Year ended March 31, 2009
	(Rupees in million)	
Total exposure[1] to top four NPA accounts	7,200.3	4,770.9

1. Represents gross exposure (funded and non-funded).

(II) Sector-wise NPAs

Sr. no	Sector	Percentage of NPAs to total advances in that sector			
		At March 31, 2010		At March 31, 2009	
		Gross	Net	Gross	Net
1.	Agriculture and allied activities[1]	5.62%	3.05%	3.58%	2.13%
2.	Industry (Micro & small, medium and large)	2.37%	1.19%	1.75%	0.92%
3.	Services	2.60%	1.16%	2.50%	1.71%
4.	Personal loans[2]	9.02%	3.34%	7.46%	3.20%
	Total	5.06%	2.12%	4.32%	2.09%

1. Represents loans towards agriculture and allied activities that qualify for priority sector lending.
2. Excludes retail loans towards agriculture and allied activities that qualify for priority sector lending. Excludes commercial business loans, developer financing and dealer funding.

(III) Movement of NPAs

Sr. no.	Particulars	Year ended March 31, 2010	Year ended March 31, 2009
		(Rupees in million)	
	Gross NPAs[1] as on April 1, 2009 (Opening Balance)	96,493.1	75,795.4
	Additions: Fresh NPAs during the year[2,3]	32,513.2	50,637.1
	Sub-total (A)	129,006.3	126,432.5
	Less:		
i)	Upgradations	2,415.9	2,963.4
ii)	Recoveries (excluding recoveries made from upgraded accounts)	3,308.5	6,785.3
iii)	Write-offs	28,475.4	20,190.7
	Sub-total (B)	34,199.8	29,939.4
	Gross NPAs as on March 31, 2010 (closing balance) (A-B)	94,806.5	96,493.1

1. Net of write-off.
2. Includes cases added to and deleted from NPAs during the year ended March 31, 2010, with such gross loans amounting to Rs. 1,060.2 million (March 31, 2009: Rs. 4,713.0 million).
3. The difference between the opening and closing balances (other than accounts written off during the year) of NPAs in retail loans is included in additions during the year.

(IV) Overseas assets, NPAs and revenue

Particulars	At March 31, 2010	At March 31, 2009
	(Rupees in million)	
Total assets[1]	611,827.7	733,259.4
Total NPAs (net)[2]	1,593.3	590.5
Total revenue[1]	44,598.1	38,976.6

1. Represents the total assets and total revenue of foreign operations as reported in schedule 19 of the financial statements of the Bank.
2. As per RBI guidelines.

(V) Off-balance sheet special purpose vehicles (SPVs) sponsored (which are required to be consolidated as per accounting norms)

(a) The following table sets forth, the names of SPVs/trusts sponsored by the bank/subsidiaries which are consolidated:

Sr. no	Name of the SPV sponsored[1]
A.	Domestic
1.	ICICI Eco-net Internet and Technology Fund
2.	ICICI Equity Fund
3.	ICICI Emerging Sectors Fund
4.	ICICI Strategic Investments Fund
5.	ICICI Venture Value Fund
B	Overseas
	None

1. The nature of business of the above entities is given in significant accounting policies (schedule 18) in the consolidated notes to accounts.

(b) The following table sets forth, the names of SPVs/trusts which are not sponsored by the Bank/subsidiaries and are consolidated:

Sr. no	Name of the SPV[1]
A	Domestic
1.	Rainbow Fund
B	Overseas
	None

1. The nature of business of the above entities is given in significant accounting policies (schedule 18) in the consolidated notes to accounts.

44. Disclosure of complaints

The following table sets forth, for the periods indicated, the movement of the outstanding number of complaints.

	Particulars	Year ended March 31, 2010	Year ended March 31, 2009
a)	No. of complaints pending at the beginning of the year	886	1,863
b)	No. of complaints received during the year	112,051	102,488
c)	No. of complaints redressed during the year	110,835	103,465
d)	No. of complaints pending at the end of the year	2,102	886

1. Does not include complaints redressed within 1 working day.
2. The complaints in year ended March 31, 2010 have increased, as the Bank has started considering all critical requests as complaints from October 2009.

The following table sets forth, for the periods indicated, the details of awards during the year.

	Particulars	Year ended March 31, 2010	Year ended March 31, 2009
a)	No. of unimplemented awards at the beginning of the year	—	1
b)	No. of awards passed by the Banking Ombudsmen during the year	—	—
c)	No. of awards implemented during the year	—	1
d)	No. of unimplemented awards at the end of the year	—	—

45. Comparative figures

Figures of the previous year have been re-grouped to conform to the current year presentation.

SIGNATURES TO SCHEDULES 1 TO 19

For and on behalf of the Board of Directors

K. V. Kamath Chairman	**Chanda D. Kochhar** Managing Director & CEO	**Sandeep Bakhshi** Deputy Managing Director
N. S. Kannan Executive Director & CFO	**K. Ramkumar** Executive Director	**Sonjoy Chatterjee** Executive Director
Sandeep Batra Group Compliance Officer & Company Secretary	**Rakesh Jha** Deputy Chief Financial Officer	

Place: Mumbai
Date: April 24, 2010

To the Members
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 March 31, 2009 and also the Profit and Loss Account and the Cash Flow Statement for the year then ended, both 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 are the returns of the Singapore, Bahrain and Hong Kong branches of the Bank, audited by other auditors.

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. We did not audit the financial statements of the Singapore, Bahrain and Hong Kong branches of the Bank, whose financial statements reflect total assets of Rs. 812,373.4 million as at March 31, 2009, total revenues of Rs. 46,276.6 million and cash flows of Rs. (4,607.5) million for the year then ended. These financial statements have been audited by other auditors, duly qualified to act as auditors in the country of incorporation of the said branches, whose reports have been furnished to us, and which were relied upon by us for our opinion on the financial statements of the Bank.

4. 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), (2) and (3C) of the Companies Act, 1956.

5. 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.

6. In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the accounting principles generally accepted in India including Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956, to the extent they are not inconsistent with the accounting policies prescribed by the Reserve Bank of India.

7. We further report that:

   a) the Balance Sheet, Profit and Loss Account and Cash Flow Statement 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) the reports on the financial statements of the Singapore, Bahrain and Hong Kong branches audited by other auditors have been dealt with in preparing our report in the manner considered appropriate by us;

   d) 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.

   e) on the basis of written representations received from the directors, as on March 31, 2009, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

8. In our opinion and to the best of our information and according to the explanations given to us and on consideration of reports submitted by the Singapore, Bahrain and Hong Kong branch auditors, the said financial statements 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 accounting principles generally accepted in India:

a) in the case of the Balance Sheet, of the state of affairs of the Bank as at March 31, 2009;

b) in the case of the Profit and Loss Account, of the profit of the Bank for the year ended on that date; and

c) in the case of the Cash Flow Statement, of the cash flows of the Bank for the year ended on that date.

For B S R & Co.
Chartered Accountants

Akeel Master
Partner
Membership No.: 046768

Mumbai
April 25, 2009

Unconsolidated Balance Sheet as on March 31, 2009

	Schedule	As on 31.03.2009	As on 31.03.2008
		(Rupees in '000s)	
CAPITAL AND LIABILITIES			
Capital	1	14,632,898	14,626,786
Reserves and surplus	2	484,197,292	453,575,309
Deposits	3	2,183,478,249	2,444,310,502
Borrowings	4	673,236,886	656,484,338
Other liabilities and provisions	5	437,464,298	428,953,827
TOTAL CAPITAL AND LIABILITIES		**3,793,009,623**	**3,997,950,762**
ASSETS			
Cash and balances with Reserve Bank of India	6	175,363,342	293,775,337
Balances with banks and money at call and short notice	7	124,302,296	86,635,952
Investments	8	1,030,583,080	1,114,543,415
Advances	9	2,183,108,492	2,256,160,827
Fixed assets	10	38,016,209	41,088,975
Other assets	11	241,636,204	205,746,256
TOTAL ASSETS		**3,793,009,623**	**3,997,950,762**
Contingent liabilities	12	8,346,830,027	12,110,823,313
Bills for collection		60,004,383	42,782,842
Significant accounting policies and notes to accounts	18 & 19		

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 B S R & Co.
Chartered Accountants

N. Vaghul
Chairman

K. V. Kamath
Managing Director & CEO

Chanda D. Kochhar
Joint Managing Director & CFO

Akeel Master
Partner
Membership no.: 046768

V. Vaidyanathan
Executive Director

Sonjoy Chatterjee
Executive Director

K. Ramkumar
Executive Director

Sandeep Batra
Group Compliance Officer & Company Secretary

Rakesh Jha
Deputy Chief Financial Officer

Place : Mumbai
Date : April 25, 2009

Unconsolidated Profit and Loss Account for the year ended March 31, 2009

	Schedule	Year ended 31.03.2009	Year ended 31.03.2008
		(Rupees in '000s)	
I. INCOME			
Interest earned	13	310,925,484	307,883,429
Other income	14	76,037,271	88,107,628
TOTAL INCOME		**386,962,755**	**395,991,057**
II. EXPENDITURE			
Interest expended	15	227,259,343	234,842,423
Operating expenses	16	70,451,137	81,541,819
Provisions and contingencies	17	51,670,943	38,029,536
TOTAL EXPENDITURE		**349,381,423**	**354,413,778**
III. PROFIT/LOSS			
Net profit for the year		37,581,332	41,577,279
Profit brought forward		24,363,159	9,982,741
TOTAL PROFIT/(LOSS)		**61,944,491**	**51,560,020**
IV. APPROPRIATIONS/TRANSFERS			
Transfer to Statutory Reserve		9,400,000	10,400,000
Transfer to Reserve Fund		4,221	3,138
Transfer to Capital Reserve		8,180,000	1,270,000
Transfer to Special Reserve		2,500,000	1,750,000
Dividend (including corporate dividend tax) for the previous year paid during the year		5,811	43,822
Proposed equity share dividend		12,245,771	12,239,562
Proposed preference share dividend		35	35
Corporate dividend tax		1,512,143	1,490,304
Balance carried over to balance sheet		28,096,510	24,363,159
TOTAL		**61,944,491**	**51,560,020**
Significant accounting policies and notes to accounts	18 & 19		
Earnings per share (Refer note 19.4)			
Basic (Rs.)		**33.76**	**39.39**
Diluted (Rs.)		**33.70**	**39.15**
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 B S R & Co.
Chartered Accountants

N. Vaghul
Chairman

K. V. Kamath
Managing Director & CEO

Chanda D. Kochhar
Joint Managing Director & CFO

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Executive Director

Sandeep Batra
Group Compliance Officer & Company Secretary

Rakesh Jha
Deputy Chief Financial Officer

Place : Mumbai
Date : April 25, 2009

Unconsolidated Cash Flow Statement for the year ended March 31, 2009

PARTICULARS	Year ended 31.03.2009	Year ended 31.03.2008
	(Rupees in '000s)	
Cash flow from operating activities		
Net profit before taxes	51,169,693	50,560,977
Adjustments for:		
Depreciation and amortisation	8,576,435	7,711,011
Net (appreciation)/depreciation on investments	13,371,083	10,279,608
Provision in respect of non-performing assets (including prudential provision on standard assets)	37,500,259	27,009,924
Provision for contingencies & others	(395,005)	1,413,354
Income from subsidiaries, joint ventures and consolidated entities	(3,636,999)	(12,783,599)
(Profit)/Loss on sale of fixed assets	(175,113)	(656,069)
	106,410,353	**83,535,206**
Adjustments for:		
(Increase)/decrease in investments	26,560,241	(25,015,908)
(Increase)/decrease in advances	34,618,121	(320,850,355)
Increase/(decrease) in borrowings	32,785,480	43,122,293
Increase/(decrease) in deposits	(260,832,253)	126,079,339
(Increase)/decrease in other assets	(33,283,816)	(27,149,533)
Increase/(decrease) in other liabilities and provisions	(32,683,319)	22,330,716
	(232,835,546)	**(181,483,448)**
Refund/(payment) of direct taxes	(15,459,704)	(18,363,292)
Net cash generated from operating activities (A)	**(141,884,897)**	**(116,311,534)**
Cash flow from investing activities		
Investments in subsidiaries and/or joint ventures (including application money)	(42,016,414)	(44,379,917)
Income from subsidiaries, joint ventures and consolidated entities	3,636,999	12,783,799
Purchase of fixed assets	(10,568,742)	(9,592,487)
Proceeds from sale of fixed assets	667,236	1,064,035
(Purchase)/sale of held to maturity securities	86,859,726	(135,486,579)
Net cash generated from investing activities (B)	**38,578,805**	**(175,611,149)**
Cash flow from financing activities		
Proceeds from issue of share capital (including ESOPs) net of issue expenses	452,464	197,897,060
Net proceeds/(repayment) of bonds (including subordinated debt)	29,492,463	112,316,167
Dividend and dividend tax paid	(13,691,338)	(10,565,000)
Net cash generated from financing activities (C)	**16,253,589**	**299,648,227**
Effect of exchange fluctuation on translation reserve (D)	**6,306,853**	**(890,065)**
Net cash and cash equivalents taken over from Sangli Bank Ltd on amalgamation (E)	**—**	**2,362,563**
Net increase/(decrease) in cash and cash equivalents (A) + (B) + (C) + (D) + (E)	**(80,745,650)**	**9,198,042**
Cash and cash equivalents at April 1	**380,411,288**	**371,213,247**
Cash and cash equivalents at March 31	**299,665,638**	**380,411,289**

Significant accounting policies and notes to accounts (refer Schedule 18 & 19)

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 B S R & Co.
Chartered Accountants

N. Vaghul
Chairman

K. V. Kamath
Managing Director & CEO

Chanda D. Kochhar
Joint Managing Director & CFO

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Executive Director

K. Ramkumar
Executive Director

Sandeep Batra
Group Compliance Officer & Company Secretary

Rakesh Jha
Deputy Chief Financial Officer

Place : Mumbai
Date : April 25, 2009

Schedules forming part of the balance sheet

	As on 31.03.2009	As on 31.03.2008
	(Rupees in '000s)	
SCHEDULE 1 — CAPITAL		
Authorised capital		
1,275,000,000 equity shares of Rs. 10 each [March 31, 2008: 1,275,000,000 equity shares of Rs. 10 each]	12,750,000	12,750,000
15,000,000 shares of Rs. 100 each [March 31, 2008: 15,000,000 shares of Rs. 100 each] [1]	1,500,000	1,500,000
350 preference shares of Rs. 10 million each [March 31, 2008: 350 preference shares of Rs. 10 million each]	3,500,000	3,500,000
Equity share capital		
Issued, subscribed and paid-up capital [2]		
1,112,687,495 equity shares of Rs. 10 each (March 31, 2008:1,111,218,782 equity shares)	11,126,875	11,112,188
Add: 563,147 equity shares of Rs. 10 each fully paid up (March 31, 2008: 1,468,713 equity shares) issued pursuant to exercise of employee stock options	5,631	14,687
	11,132,506	11,126,875
Less: Calls unpaid	378	859
Add: 111,603 equity shares forfeited (March 31, 2008: 111,603 equity shares)	770	770
TOTAL EQUITY CAPITAL	**11,132,898**	**11,126,786**
[Preference share capital		
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	**14,632,898**	**14,626,786**

1. These shares will be of such class and with such rights, privileges, conditions or restrictions as may be determined by the Bank in accordance with the Articles of Association of the Bank and subject to the legislative provisions for the time being in that behalf.

2 Includes:-

a) 3,455,008 equity shares of Rs. 10 each fully paid up allotted to shareholders of erstwhile Sangli Bank Limited on amalgamation on May 28, 2007.

b) 108,598,626 equity shares of Rs. 10 each fully paid up issued vide prospectus dated June 26, 2007 (includes 13,762,869 shares issued under green shoe option).

c) 99,898,476 equity shares of Rs. 10 each fully paid up underlying 49,949,238 American Depository Shares (ADSs) issued vide prospectus dated June 23, 2007 (includes 6,497,462 ADSs issued under green shoe option).

Schedules forming part of the balance sheet

	As on 31.03.2009	As on 31.03.2008
	(Rupees in '000s)	
SCHEDULE 2 — RESERVES AND SURPLUS		
I. Statutory reserve		
Opening balance	39,393,807	28,787,307
Additions during the year	9,400,000	10,606,500
Deductions during the year	—	—
Closing balance	48,793,807	39,393,807
II. Special reserve		
Opening balance	20,940,000	19,190,000
Additions during the year	2,500,000	1,750,000
Deductions during the year	—	—
Closing balance	23,440,000	20,940,000
III. Securities premium		
Opening balance	312,471,030	120,154,919
Additions during the year [1]	446,352	197,644,847
Deductions during the year [2]	—	5,328,736
Closing balance	312,917,382	312,471,030
IV. Capital reserve		
Opening balance	8,010,000	6,740,000
Additions during the year	8,180,000	1,270,000
Deductions during the year	—	—
Closing balance	16,190,000	8,010,000
V. Foreign currency translation reserve	4,966,797	(1,391,262)
VI. Reserve fund		
Opening balance	4,528	1,390
Additions during the year [3]	4,221	3,138
Deductions during the year	—	—
Closing balance	8,749	4,528
VII. Revenue and other reserves		
Opening balance	49,784,047	49,784,047
Additions during the year	—	—
Deductions during the year	—	—
Closing balance	49,784,047	49,784,047
VIII. Balance in profit and loss account	28,096,510	24,363,159
TOTAL RESERVES AND SURPLUS	**484,197,292**	**453,575,309**

1. Includes:-
   a) Rs. 98,865.1 million in the previous year (net of share premium in arrears of Rs. 486.1 million) consequent to public issue (including shares issued under green shoe option) vide prospectus dated June 26, 2007.
   b) Rs. 98,237.4 million in the previous year consequent to issue of ADSs (including shares issued under green shoe option) vide prospectus dated June 23, 2007.
   c) Rs. 184.1 million (March 31, 2008: Rs. 542.3 million) on exercise of employee stock options.
2. Represents:-
   a) Rs. 3,482.2 million in the previous year being the excess of the paid-up value of the shares issued to the shareholders of The Sangli Bank Limited over the fair value of the net assets acquired on merger and amalgamation expenses as per the scheme of amalgamation.
   b) Rs. 1,846.6 million in the previous year being the share issue expenses, written-off from the securities premium account as per the objects of the issue.
3. Represents appropriation of 5% of net profit by Sri Lanka branch to meet the requirements of Section 20 of Sri Lankan Banking Act No 30 of 1988.

Schedules forming part of the balance sheet

	As on 31.03.2009	As on 31.03.2008
	(Rupees in '000s)	
SCHEDULE 3 — DEPOSITS		
A. I. Demand deposits		
i) From banks	7,455,466	5,018,339
ii) From others	208,861,406	241,894,532
II. Savings bank deposits	410,361,455	390,893,090
III. Term deposits		
i) From banks	158,017,816	125,024,337
ii) From others	1,398,782,106	1,681,480,204
TOTAL DEPOSITS	**2,183,478,249**	**2,444,310,502**
B. I. Deposits of branches in India	2,078,376,652	2,372,239,318
II. Deposits of branches outside India	105,101,597	72,071,184
TOTAL DEPOSITS	**2,183,478,249**	**2,444,310,502**

	As on 31.03.2009	As on 31.03.2008
	(Rupees in '000s)	
SCHEDULE 4 — BORROWINGS		
I. Borrowings in India		
i) Reserve Bank of India	—	—
ii) Other banks	23,246,348	32,105,635
iii) Other institutions and agencies		
a) Government of India	1,075,400	1,592,480
b) Financial institutions	35,427,632	27,541,146
iv) Borrowings in the form of		
Bonds and debentures (excluding subordinated debt)		
- Debentures and bonds guaranteed by the Government of India	11,755,000	14,815,000
- Borrowings under private placement of bonds carrying maturity of 1 to 30 years from the date of placement	6,680,649	6,545,648
Bonds issued under multiple option/safety bonds series		
- Regular interest bonds	3,278,880	5,393,095
- Deep discount bonds	4,332,005	4,401,234
- Tax saving bonds	16,033,862	17,376,227
- Pension bonds	61,805	61,722
TOTAL BORROWINGS IN INDIA	**101,891,581**	**109,832,187**
II. Borrowings outside India		
i) From multilateral/bilateral credit agencies guaranteed by the Government of India for the equivalent of Rs. 20,523.1 million (March 31, 2008: Rs. 18,402.9 million)	22,862,196	20,966,276
ii) From international banks, institutions and consortiums	285,348,542	241,652,121
iii) By way of bonds and notes	262,531,035	283,229,410
iv) Other borrowings	603,532	804,344
TOTAL BORROWINGS OUTSIDE INDIA	**571,345,305**	**546,652,151**
TOTAL BORROWINGS	**673,236,886**	**656,484,338**

Secured borrowings in I and II above is Rs. Nil [March 31, 2008: Rs. Nil].

Schedules forming part of the balance sheet

	As on 31.03.2009	As on 31.03.2008
	(Rupees in '000s)	
SCHEDULE 5 — OTHER LIABILITIES AND PROVISIONS		
I. Bills payable	18,251,332	29,007,972
II. Inter-office adjustments (net)	4,213,071	4,293,542
III. Interest accrued	27,989,208	25,968,705
IV. Unsecured redeemable/perpetual debentures/bonds [Subordinated debt included in Tier I and Tier II Capital]	254,817,656	207,501,787
V. Others		
a) Security deposits from clients	9,463,352	15,197,638
b) Sundry creditors	61,267,278	74,101,312
c) Received for disbursements under special program	1,644,645	2,034,281
d) Provision for standard assets	14,360,648	14,550,250
e) Other liabilities [1]	45,457,108	56,298,340
TOTAL OTHER LIABILITIES AND PROVISIONS	**437,464,298**	**428,953,827**

1. Includes:
   a) Proposed dividend of Rs. 12,245.8 million [March 31, 2008: Rs. 12,239.6 million].
   b) Corporate dividend tax payable of Rs. 1,512.1 million [March 31, 2008: Rs. 1,490.3 million].

	As on 31.03.2009	As on 31.03.2008
	(Rupees in '000s)	
SCHEDULE 6 — CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand (including foreign currency notes)	28,557,057	28,478,239
II. Balances with Reserve Bank of India in current accounts	146,806,285	265,297,098
TOTAL CASH AND BALANCES WITH RESERVE BANK OF INDIA	**175,363,342**	**293,775,337**

	As on 31.03.2009	As on 31.03.2008
	(Rupees in '000s)	
SCHEDULE 7 — BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
i) Balances with banks		
a) In current accounts	7,559,863	8,705,555
b) In other deposit accounts	36,456,555	3,343,519
ii) Money at call and short notice		
a) With banks	—	—
b) With other institutions	—	—
TOTAL	**44,016,418**	**12,049,074**
II. Outside India		
i) In current accounts	23,561,910	16,473,903
ii) In other deposit accounts	28,407,146	31,635,362
iii) Money at call and short notice	28,316,822	26,477,613
TOTAL	**80,285,878**	**74,586,878**
TOTAL BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE	**124,302,296**	**86,635,952**

	As on 31.03.2009	As on 31.03.2008
	(Rupees in '000s)	
SCHEDULE 8 — INVESTMENTS		
I. Investments in India [net of provisions]		
i) Government securities	633,774,902	753,777,483
ii) Other approved securities	93,405	97,946
iii) Shares (includes equity and preference shares)	17,031,332	29,200,790
iv) Debentures and bonds	26,000,683	18,871,649
v) Subsidiaries and/or joint ventures	61,194,621	46,382,774
vi) Others (commercial paper, mutual fund units, pass through certificates, security receipts etc.)	196,688,823	202,833,016
TOTAL INVESTMENTS IN INDIA	**934,783,766**	**1,051,163,658**
II. Investments outside India [net of provisions]		
i) Government securities	953,347	1,402,546
ii) Subsidiaries and/or joint ventures abroad (includes equity and preference shares)	65,924,016	38,719,449
iii) Others	28,921,951	23,257,762
TOTAL INVESTMENTS OUTSIDE INDIA	**95,799,314**	**63,379,757**
TOTAL INVESTMENTS	**1,030,583,080**	**1,114,543,415**
III. Investments in India		
Gross value of investments	947,314,476	1,056,883,463
Less: Aggregate of provision/depreciation	12,530,710	5,719,805
Net investments	**934,783,766**	**1,051,163,658**
IV. Investments outside India		
Gross value of investments	97,586,277	64,358,489
Less: Aggregate of provision/depreciation	1,786,963	978,732
Net investments	**95,799,314**	**63,379,757**
TOTAL INVESTMENTS	**1,030,583,080**	**1,114,543,415**

Schedules forming part of the balance sheet

SCHEDULE 9 — ADVANCES [net of provisions]

	As on 31.03.2009	As on 31.03.2008
	(Rupees in '000s)	
A. i) Bills purchased and discounted	40,610,992	46,763,159
ii) Cash credits, overdrafts and loans repayable on demand	343,945,509	348,051,840
iii) Term loans	1,696,347,568	1,755,794,419
iv) Securitisation, finance lease and hire purchase receivables	102,204,423	105,551,409
TOTAL ADVANCES	**2,183,108,492**	**2,256,160,827**
B. i) Secured by tangible assets (includes advances against book debts)	1,575,653,288	1,693,135,659
ii) Covered by bank/government guarantees	14,815,009	42,087,202
iii) Unsecured	592,640,195	520,937,966
TOTAL ADVANCES	**2,183,108,492**	**2,256,160,827**
C. I. Advances in India		
i) Priority sector	620,515,976	597,325,197
ii) Public sector	3,494,486	3,559,887
iii) Banks	252,580	45,947
iv) Others	1,015,930,993	1,177,773,278
TOTAL ADVANCES IN INDIA	**1,640,194,035**	**1,778,704,309**
II. Advances outside India		
i) Due from banks	14,965,907	41,225,542
ii) Due from others		
a) Bills purchased and discounted	13,856,733	19,965,470
b) Commercial loans	283,420,282	271,379,347
c) Others	230,671,535	144,886,159
TOTAL ADVANCES OUTSIDE INDIA	**542,914,457**	**477,456,518**
TOTAL ADVANCES	**2,183,108,492**	**2,256,160,827**

SCHEDULE 10 — FIXED ASSETS

	As on 31.03.2009	As on 31.03.2008
	(Rupees in '000s)	
I. Premises		
At cost as on March 31 of preceding year	22,942,919	20,496,202
Additions during the year	1,694,879	2,719,704
Deductions during the year	(527,480)	(272,987)
Depreciation to date	(4,139,362)	(3,326,017)
Net block	**19,970,956**	**19,616,902**
II. Other fixed assets (including furniture and fixtures)		
At cost as on March 31 of preceding year	29,338,047	24,352,894
Additions during the year	3,833,680	5,588,730
Deductions during the year	(596,158)	(603,577)
Depreciation to date	(19,153,333)	(15,836,691)
Net block	**13,422,236**	**13,501,356**
III. Assets given on lease		
At cost as on March 31 of preceding year	18,079,072	18,136,532
Additions during the year	—	—
Deductions during the year	(327,898)	(57,460)
Depreciation to date, accumulated lease adjustment and provisions	(13,128,157)	(10,108,355)
Net block	**4,623,017**	**7,970,717**
TOTAL FIXED ASSETS	**38,016,209**	**41,088,975**

Schedules forming part of the balance sheet

	As on 31.03.2009	As on 31.03.2008
	(Rupees in '000s)	
SCHEDULE 11 — OTHER ASSETS		
I. Inter-office adjustments (net)	—	—
II. Interest accrued	41,382,870	34,867,173
III. Tax paid in advance/tax deducted at source (net)	37,815,636	40,660,994
IV. Stationery and stamps	928	574
V. Non-banking assets acquired in satisfaction of claims [1]	3,089,212	3,658,544
VI. Others		
a) Advance for capital assets	8,776,627	6,404,148
b) Outstanding fees and other income	6,581,734	5,772,850
c) Deposits	25,189,917	27,606,644
d) Deferred tax asset (net)	17,923,148	13,233,940
e) Early retirement option expenses not written off	—	117,979
f) Others	100,876,132	73,423,410
TOTAL OTHER ASSETS	**241,636,204**	**205,746,256**

1. Includes certain non-banking assets acquired in satisfaction of claims which are in the process of being transferred in the Bank's name.

	As on 31.03.2009	As on 31.03.2008
	(Rupees in '000s)	
SCHEDULE 12 — CONTINGENT LIABILITIES		
I. Claims against the Bank not acknowledged as debts	32,824,550	40,306,033
II. Liability for partly paid investments	128,126	128,126
III. Liability on account of outstanding forward exchange contracts	2,583,670,864	3,071,712,304
IV. Guarantees given on behalf of constituents		
a) In India	453,001,349	338,313,547
b) Outside India	127,880,113	74,501,645
V. Acceptances, endorsements and other obligations	306,782,689	250,992,610
VI. Currency swaps	569,648,391	477,039,283
VII. Interest rate swaps, currency options and interest rate futures	4,146,346,015	7,665,289,657
VIII. Other items for which the Bank is contingently liable	126,547,930	192,540,108
TOTAL CONTINGENT LIABILITIES	**8,346,830,027**	**12,110,823,313**

Schedules forming part of the profit and loss account

	Year ended 31.03.2009	Year ended 31.03.2008
	(Rupees in '000s)	
SCHEDULE 13 — INTEREST EARNED		
I. Interest/discount on advances/bills	223,238,295	226,009,874
II. Income on investments[1]	74,030,595	74,660,091
III. Interest on balances with Reserve Bank of India and other inter-bank funds	5,187,095	6,119,944
IV. Others [2]	8,469,499	1,093,520
TOTAL INTEREST EARNED	**310,925,484**	**307,883,429**

1. Includes amortisation of premium on Government securities Rs. 7,253.4 million (March 31, 2008: Rs. 8,976.2 million).
2. Includes interest on income tax refunds Rs. 3,331.7 million (March 31, 2008: Rs. 871.0 million).

	Year ended 31.03.2009	Year ended 31.03.2008
	(Rupees in '000s)	
SCHEDULE 14 — OTHER INCOME		
I. Commission, exchange and brokerage	56,258,933	56,053,127
II. Profit/(loss) on sale of investments (net)	18,004,745	18,802,235
III. Profit/(loss) on revaluation of investments (net)	(5,140,339)	(680,855)
IV. Profit/(loss) on sale of land, buildings and other assets (net) [1]	175,113	656,069
V. Profit/(loss) on foreign exchange transactions (net)	84,146	1,101,719
VI. Income earned by way of dividends, etc. from subsidiary companies and/or joint ventures abroad/in India	3,348,233	11,519,500
VII. Miscellaneous income (including lease income)	3,306,440	655,833
TOTAL OTHER INCOME	**76,037,271**	**88,107,628**

1. Includes profit/(loss) on sale of assets given on lease.

	Year ended 31.03.2009	Year ended 31.03.2008
	(Rupees in '000s)	
SCHEDULE 15 — INTEREST EXPENDED		
I. Interest on deposits	157,851,583	171,102,433
II. Interest on Reserve Bank of India/inter-bank borrowings [1]	20,045,886	18,269,621
III. Others (including interest on borrowings of erstwhile ICICI Limited)	49,361,874	45,470,369
TOTAL INTEREST EXPENDED	**227,259,343**	**234,842,423**

1. Includes interest paid on inter-bank deposits.

Schedules forming part of the profit and loss account

	Year ended 31.03.2009	Year ended 31.03.2008
	(Rupees in '000s)	
SCHEDULE 16 — OPERATING EXPENSES		
I. Payments to and provisions for employees	19,717,045	20,788,974
II. Rent, taxes and lighting	6,257,960	5,166,414
III. Printing and stationery	1,200,296	1,742,100
IV. Advertisement and publicity	1,402,840	2,078,608
V. Depreciation on Bank's property	4,684,901	3,962,822
VI. Depreciation (including lease equalisation) on leased assets	2,101,070	1,820,689
VII. Directors' fees, allowances and expenses	3,640	4,190
VIII. Auditors' fees and expenses	22,738	23,034
IX. Law charges	924,040	453,673
X. Postages, telegrams, telephones, etc.	2,538,545	3,305,702
XI. Repairs and maintenance	4,896,929	4,198,727
XII. Insurance	2,282,926	2,249,540
XIII. Direct marketing agency expenses	5,289,235	15,427,433
XIV. Other expenditure	19,128,972	20,319,913
TOTAL OPERATING EXPENSES	**70,451,137**	**81,541,819**

	Year ended 31.03.2009	Year ended 31.03.2008
	(Rupees in '000s)	
SCHEDULE 17 — PROVISIONS AND CONTINGENCIES		
I. Income tax		
- Current period tax	17,933,052	15,695,283
- Deferred tax adjustment	(4,716,700)	(7,133,600)
- Fringe benefit tax	342,010	392,015
II. Wealth tax	30,000	30,000
III. Provision for investments (net)	977,328	622,560
IV. Provision for advances (net) [1]	37,500,259	27,009,924
V. Others	(395,006)	1,413,354
TOTAL PROVISIONS AND CONTINGENCIES	**51,670,943**	**38,029,536**

1. Includes provisions on standard assets, non-performing advances, non-performing leased assets and others.

SCHEDULE 18 — SIGNIFICANT ACCOUNTING POLICIES

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 in India ("Indian GAAP"), the guidelines issued by Reserve Bank of India ("RBI") from time to time, the Accounting Standards ('AS') issued by the Institute of Chartered accountants of India ('ICAI') and notified by the Companies (Accounting Standards) Rules, 2006 to the extent applicable and practices generally prevalent in 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.

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 income recognition and asset classification norms of RBI.

b. Income from hire purchase operations is accrued by applying the implicit interest rate to 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.

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. Loan processing fee is accounted for upfront when it becomes due.

g. Project appraisal/structuring fee is accounted for on the completion of the agreed service.

h. Arranger fee is accounted for as income when a significant portion of the arrangement/syndication is completed.

i. Commission received on guarantees issued is amortised on a straight-line basis over the period of the guarantee.

j. All other fees are accounted for as and when they become due.

k. Net income arising from sell-down/securitisation of loan assets prior to February 1, 2006 has been recognised upfront as 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 with recourse obligation is amortised over the life of underlying assets sold and net income from sale of loan assets through direct assignment, without any recourse obligation, is recognised at the time of sale. Net loss arising on account of the sell-down/securitisation and direct assignment of loan assets is recognised at the time of sale.

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' 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 fixed rate and floating rate securities acquired is amortised over the remaining period to maturity on a constant yield basis and straight line basis respectively.

c. 'Available for Sale' and 'Held for Trading' securities are valued periodically as per RBI guidelines. Any premium over the face value of investments in government securities, classified as 'Available for Sale', is amortised over the remaining period to maturity on constant yield basis. Quoted investments are valued based on the trades/quotes on the recognised stock exchanges, subsidiary general ledger account transactions, price list of RBI or prices declared by Primary Dealers Association of India jointly with Fixed Income Money Market and Derivatives Association, periodically.

   The market/fair value of unquoted government securities which are in the nature of "SLR" securities included in the 'Available for Sale' and 'Held for Trading' categories is as per the rates published by Fixed Income Money Market and Derivatives Association. The valuation of other unquoted fixed income securities 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 Fixed Income Money Market and Derivatives Association.

   Unquoted equity shares are valued at the break-up value, if the latest balance sheet is available, or at Re. 1, as per RBI guidelines.

   Securities are valued scrip-wise and depreciation/appreciation is 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. Equity 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 such instruments, prescribed by RBI from time to time. Accordingly, in cases where the cash flows from 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 obtained from the asset reconstruction company from time to time, for valuation of such investments at each reporting year/period 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, including overdues arising from crystallised derivative contracts, 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 the unsecured portion of doubtful assets are provided/written off as per the extant RBI guidelines. Provisions on homogeneous retail loans, subject to minimum provisioning requirements of RBI, are assessed at a portfolio level on the basis of days past due. The Bank holds specific provisions against non-performing loans and general provision against performing loans. The assessment of incremental specific provisions is made after taking into consideration existing specific provision. The specific provisions on retail loans held by the Bank are higher than the minimum regulatory requirements.

b. Provision on assets restructured/rescheduled is made in accordance with the applicable RBI guidelines on restructuring of advances by Banks.

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.

c. 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.

d. 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.

e. In addition to the provisions required to be held according to the asset classification status, provisions are held for individual country exposures (other than for home country exposure). The countries are categorised into seven risk categories namely insignificant, low, moderate, high, very high, restricted and off-credit and provisioning is made on exposures exceeding 180 days on a graded scale ranging from 0.25% to 100%. For exposures with contractual maturity of less than 180 days, 25% of the above 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 required 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 are accounted for only if the Bank surrenders the rights to benefits specified in the underlying securitised loan contract. Recourse and servicing obligations are accounted for net of provisions.

In accordance with the RBI guidelines for securitisation of standard assets, with effect from February 1, 2006, the Bank accounts for any loss arising from securitisation immediately at the time of sale and the profit/premium arising from securitisation is amortised over the life of the securities issued or to be issued by the special purpose vehicle to which the assets are sold. In the case of loans sold to an asset reconstruction company the gain, if any, is ignored.

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	12.50%
Furniture and fixtures	15.00%
Motor vehicles	20.00%
Others (including Software and system development expenses)	25.00%

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 upto Rs. 5,000/- are depreciated fully over a period of 12 months from the date of purchase.

d) In case of revalued/impaired assets, depreciation is provided over the remaining useful life of the assets.

6. Transactions involving foreign exchange

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 rates, and income and expenditure of non-integral foreign operations (foreign branches and offshore banking units) are translated at quarterly average closing rates.

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 interim maturities. The contracts of longer maturities where exchange rates are not notified by FEDAI, are revalued at the forward exchange rates implied by the swap curves in respective currencies. 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, credit default swaps and cross currency interest rate swaps.

The swap contracts entered to hedge on-balance sheet assets and liabilities are structured such 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 are accounted for on an accrual basis.

Foreign currency and rupee derivative contracts entered into 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. Pursuant to RBI guidelines, any receivables under derivative contracts, which remain overdue for more than 90 days, are reversed through profit and loss account.

8. **Employee Stock Option Scheme ("ESOS")**

The Employees Stock Option Scheme ("the Scheme") provides for grant of equity shares of the Bank to wholetime directors and employees of the Bank and its subsidiaries. The Scheme provides that employees are granted an option to subscribe to 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 employee compensation plans. Compensation cost is measured as the excess, if any, of the fair market price of the underlying stock over the exercise price on the grant date. 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 price of the Bank's stock options are equal to fair market price on the grant date, there is no compensation cost under the intrinsic value method.

The Finance Act, 2007 introduced Fringe Benefit Tax ("FBT") on employee stock options. The FBT liability crystallises on the date of exercise of stock options by employees and is computed based on the difference between fair market value on date of vesting and the exercise price. FBT is recovered from employees as per the Scheme.

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 and in case of employees at overseas locations as per the rules in force in the respective countries. ICICI Bank makes contributions to four separate gratuity funds, for employees inducted from erstwhile ICICI Limited (erstwhile ICICI), employees inducted from erstwhile Bank of Madura, employees inducted from erstwhile The Sangli Bank Limited (erstwhile Sangli Bank) and employees of ICICI Bank other than employees inducted from erstwhile ICICI, erstwhile Bank of Madura and erstwhile Sangli Bank.

Separate gratuity funds for employees inducted from erstwhile ICICI, erstwhile Bank of Madura and erstwhile Sangli Bank are managed by ICICI Prudential Life Insurance Company Limited. The gratuity fund for employees of ICICI Bank, other than employees inducted from erstwhile ICICI, erstwhile Bank of Madura and erstwhile Sangli Bank is administered by Life Insurance Corporation of India and ICICI Prudential Life Insurance Company Limited.

Actuarial valuation of the gratuity liability for all the above funds is determined by an actuary appointed by the Bank. In accordance with the gratuity funds' rules, actuarial valuation of gratuity liability is calculated based on certain assumptions regarding rate of interest, salary growth, mortality and staff attrition as per the projected unit credit method.

Superannuation Fund

ICICI Bank contributes 15.0% of the total annual basic salary of each employee to a superannuation fund for ICICI Bank employees. The employee gets an option on retirement or resignation to commute one-third of the total credit balance in his/her account and receive a monthly pension based on the remaining balance. In the event of death of an employee, his or her beneficiary receives the remaining accumulated balance. ICICI Bank also gives an option to its employees, allowing them to receive the amount contributed by ICICI Bank along with their monthly salary during their employment.

Upto March 31, 2005, the superannuation fund was administered solely by Life Insurance Corporation of India. Subsequent to March 31, 2005, both Life Insurance Corporation of India and ICICI Prudential Life Insurance Company Limited are administering the fund. Employees had 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 of erstwhile Bank of Madura and certain employees of erstwhile Sangli Bank. 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. For erstwhile Bank of Madura and erstwhile Sangli Bank employees in service, separate pension funds are managed in-house and the liability is funded as per actuarial valuation. The pension payments to retired employees of erstwhile Bank of Madura and erstwhile Sangli Bank are being administered by ICICI Prudential Life Insurance Company Limited, for whom the Bank has purchased master annuity policies. Employees covered by the pension plan are not eligible for benefits under the provident fund plan.

Provident Fund

ICICI Bank is statutorily required to maintain a provident fund as a part of retirement benefits to its employees. There are separate provident funds for employees inducted from erstwhile Bank of Madura and erstwhile Sangli Bank (other than those employees who have opted for pension), and for other employees of ICICI Bank. In-house trustees manage these funds. Each employee contributes 12.0% of his or her basic salary (10.0% for certain staff of erstwhile Sangli Bank) and ICICI Bank contributes an equal amount to the funds. The funds are invested 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 borne by the Bank. The income tax provision is determined in accordance with the provisions of the Income Tax Act, 1961. Deferred tax adjustments comprise of changes in the deferred tax assets or liabilities during the year.

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 substantively enacted at the balance sheet date. The impact of changes in deferred tax assets and liabilities is recognised in the profit and loss account.

Deferred tax assets are recognised and re-assessed at each reporting date, based upon management's judgement as to whether their realisation is considered as reasonably certain.

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 with 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 as 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 estimates 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 to this effect 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 or disclose contingent assets, if any.

13. Earnings per share ("EPS")

Basic earnings per share is 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 share reflect the potential dilution that could occur if contracts to issue equity shares were exercised or converted during the year. Diluted earnings per equity share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the year, 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 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.

SCHEDULE 19 — NOTES FORMING PART OF THE ACCOUNTS

The following additional disclosures have been made taking into account the requirements of accounting standards and Reserve Bank of India ("RBI") guidelines in this regard.

1. Capital adequacy ratio

The Bank is subject to the capital adequacy norms stipulated by the RBI guidelines on Basel II which became applicable with effect from March 31, 2008. The guidelines require the Bank to maintain a minimum ratio of total capital to risk adjusted assets of 9.0%, with a minimum Tier I capital ratio of 6.0%. Prior to March 31, 2008, the Bank was subject to the capital adequacy norms as stipulated by the RBI guidelines on Basel I.

In view of its transitional arrangements to the Basel II framework, the RBI has prescribed a parallel run under which the Bank has calculated capital adequacy under both Basel I and Basel II. Further at March 31, 2009, the Bank is required to maintain capital adequacy based on the higher of the minimum capital required under Basel II or 90.0% of the minimum capital required under Basel I (100% as at March 31, 2008). The computation under Basel II guidelines has resulted in a higher minimum capital requirement as compared to Basel I and hence the capital adequacy as at March 31, 2008 and March 31, 2009 has been maintained and reported by the Bank as per Basel II guidelines.

	As per Basel I framework		As per Basel II framework	
	As on March 31, 2009	As on March 31, 2008	As on March 31, 2009	As on March 31, 2008
	(Rupees in million)			
Tier I capital	420,098.1	381,340.1	421,967.6	421,724.0
(of which Lower Tier I)	30,168.6	26,573.4	30,168.6	26,573.4
Tier II capital	129,715.9	121,212.1	131,585.3	78,861.0
(of which Upper Tier II)	109,100.0	24,510.0	109,100.0	24,510.0
Total capital	549,814.0	502,552.2	553,552.9	500,585.0
Total risk weighted assets	3,453,378.9	3,367,547.0	3,564,629.9	3,584,566.2
CRAR (%)	15.92%	14.92%	15.53%	13.97%
CRAR — Tier I capital (%)	12.16%	11.32%	11.84%	11.76%
CRAR — Tier II capital (%)	3.76%	3.60%	3.69%	2.20%
Amount of subordinated debt raised as Tier I capital/ Tier II capital during the year	45,210.0	22,350.0	45,210.0	22,350.0

2. Business/information ratios

The business/information ratios for the year ended March 31, 2009 and March 31, 2008 are given in the table below:

		Year ended March 31, 2009	Year ended March 31, 2008
(i)	Interest income to working funds[1]	8.11%	8.29%
(ii)	Non-interest income to working funds[1]	1.98%	2.37%
(iii)	Operating profit to working funds[1]	2.33%	2.14%
(iv)	Return on assets[2]	0.98%	1.12%
(v)	Profit per employee (Rs. in million)	1.1	1.0
(vi)	Business per employee (average deposits plus average advances)[3] (Rs. in million)	115.4	100.8

1. For the purpose of computing the ratios, working funds represent the average of total assets as reported in Form X 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.

3. For the purpose of computing the ratio, deposits and advances are the total deposits and total advances as reported to RBI in Form A under Section 42(2) of the Reserve Bank of India Act, 1934. The average deposits and the average advances represent the simple average of the figures reported in Form A to RBI under Section 42(2) of the Reserve Bank of India Act, 1934.

3. Information about business and geographical segments

Business segments

Pursuant to the guidelines issued by RBI on Accounting Standard-17 (Segment Reporting) — Enhancement of Disclosures dated April 18, 2007, effective from year ended March 31, 2008, the following business segments have been reported.

- Retail Banking includes exposures which satisfy the four criteria of orientation, product, granularity and low value of individual exposures for retail exposures laid down in Basel Committee on Banking Supervision document "International Convergence of Capital Measurement and Capital Standards: A Revised Framework".
- Wholesale Banking includes all advances to trusts, partnership firms, companies and statutory bodies, which are not included under the Retail Banking.
- Treasury includes the entire investment portfolio of the Bank.
- Other Banking includes hire purchase and leasing operations and other items not attributable to any particular business segment.

Income, expenses, assets and liabilities are either specifically identified with individual segments or are allocated to segments on a systematic basis.

All liabilities are transfer priced to a central treasury unit, which pools all funds and lends to the business units at appropriate rates based on the relevant maturity of assets being funded after adjusting for regulatory reserve requirements.

The business segment results on this basis are given below:

		For the year ended March 31, 2009				
	Particulars	Retail Banking	Wholesale Banking	Treasury/ Investment Banking	Other Banking Business	Total
				(Rupees in million)		
1	Revenue	230,152.1	248,077.1	295,908.7	6,125.7	780,263.6
2	Less: Inter-segment revenue					393,300.9
3	Total revenue (1) - (2)					386,962.7
4	Segment results	580.5	34,133.1	12,843.5	3,612.6	51,169.7
5	Unallocated expenses					—
6	Income tax expenses (net of deferred tax credit)					13,588.4
7	Net Profit (4) - (5) - (6)					37,581.3
8	Segment assets	958,656.7	1,357,062.5	1,400,638.6	11,887.0	3,728,244.8
9	Unallocated assets[1]					64,764.8
10	Total assets (8) + (9)					3,793,009.6
11	Segment liabilities	1,117,555.2	1,111,564.6	1,529,581.8[2]	6,166.6	3,764,868.2
12	Unallocated liabilities					28,141.4
13	Total liabilities (11) + (12)					3,793,009.6
14	Capital expenditure	4,224.2	1,264.2	3.3	36.9	5,528.6
15	Depreciation	3,628.6	1,027.3	4.7	2,125.4	6,786.0

1. Includes tax paid in advance/tax deducted at source (net) and deferred tax asset (net).
2. Includes share capital and reserves and surplus.

	Particulars	For the year ended March 31, 2008 Retail Banking	Wholesale Banking	Treasury/ Investment Banking	Other Banking Business	Total
				(Rupees in million)		
1	Revenue	244,185.4	249,493.5	290,982.6	2,749.2	787,410.7
2	Less: Inter-segment revenue					391,419.6
3	Total revenue (1) - (2)					395,991.1
4	Segment results	9,472.4	35,746.8	5,134.9	206.9	50,561.0
5	Unallocated expenses					—
6	Income tax expenses (net of deferred tax credit)					8,983.7
7	Net Profit (4) - (5) - (6)					41,577.3
8	Segment assets	1,112,510.1	1,263,992.0	1,540,852.6	27,053.4	3,944,408.1
9	Unallocated assets[1]					53,542.7
10	Total assets (8) + (9)					3,997,950.8
11	Segment liabilities	1,152,965.5	1,378,224.6	1,442,104.8[2]	20,360.4	3,993,655.3
12	Unallocated liabilities					4,295.5
13	Total liabilities (11) + (12)					3,997,950.8
14	Capital expenditure	6,430.8	1,364.6	8.5	504.5	8,308.4
15	Depreciation	2,836.8	889.1	5.3	2,052.3	5,783.5

1. Includes tax paid in advance/tax deducted at source (net) and deferred tax asset (net).
2. Includes share capital and reserves and surplus.

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 segment results are given below:

Revenue[1]	For the year ended March 31, 2009	For the year ended March 31, 2008
	(Rupees in million)	
Domestic operation	347,986.2	362,828.2
Foreign operation	38,976.6	33,162.9
Total	386,962.8	395,991.1

1. Gains and losses on offsetting transactions are accounted for separately in domestic and foreign segments respectively and not netted off.

Assets	As on March 31, 2009	As on March 31, 2008
	(Rupees in million)	
Domestic operation	3,004,203.2	3,329,664.8
Foreign operation	733,259.4	614,743.3
Total	3,737,462.6	3,944,408.1

	Capital expenditure incurred during the year ended		Depreciation provided during the year ended	
	March 31, 2009	March 31, 2008	March 31, 2009	March 31, 2008
	(Rupees in million)			
Domestic operations	5,431.7	8,244.3	6,734.1	5,746.6
Foreign operations	96.9	64.1	51.9	36.9
Total	5,528.6	8,308.4	6,786.0	5,783.5

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 year. The 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, 2009	Year ended March 31, 2008
	(Rupees in million, except per share data)	
Basic		
Weighted average number of equity shares outstanding	1,113,129,213	1,055,591,068
Net profit	37,581.3	41,577.3
Basic earnings per share (Rs.)	33.76	39.39
Diluted		
Weighted average number of equity shares outstanding	1,115,328,034	1,062,103,167
Net profit	37,581.3	41,577.3
Diluted earnings per share (Rs.)	33.70	39.15
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, 2009 is given below:

Maturity buckets	Loans & Advances[1]	Investment securities[1]	Deposits[1]	Borrowings[1,2]	Total foreign currency assets	Total foreign currency liabilities
	(Rupees in million)					
1 to 14 days	77,002.6	116,387.7	159,613.6	17,960.7	92,686.3	52,220.8
15 to 28 days	18,547.3	45,611.8	80,388.8	20,197.7	12,581.7	26,476.9
29 days to 3 months	95,975.6	101,038.8	381,487.7	44,676.2	20,572.8	68,052.0
3 to 6 months	112,396.9	74,045.9	356,088.8	58,999.8	17,960.5	55,441.0
6 months to 1 year	220,770.0	99,709.9	458,313.7	76,648.2	29,985.6	87,612.2
1 to 3 years	887,376.0	260,527.2	731,623.0	240,446.0	156,996.3	215,855.3
3 to 5 years	423,545.6	25,850.1	14,368.4	165,287.0	219,948.8	164,054.1
Above 5 years	347,494.5	307,411.7	1,594.2	49,021.3	226,356.6	110,888.5
Total	2,183,108.5	1,030,583.1	2,183,478.2	673,236.9	777,088.6	780,600.8

1. Includes foreign currency balances.
2. Excludes borrowings in the nature of sub-ordinated debts.

b) The maturity pattern of assets and liabilities of the Bank as on March 31, 2008 is given below:

Maturity buckets	Loans & Advances[1]	Investment securities[1]	Deposits[1]	Borrowings[1,2]	Total foreign currency assets	Total foreign currency liabilities
			(Rupees in million)			
1 to 14 days	93,299.9	144,138.8	150,415.1	18,949.7	67,356.4	49,954.8
15 to 28 days	27,857.4	102,926.6	105,105.3	5,407.0	11,229.6	12,310.0
29 days to 3 months	155,107.3	110,681.3	377,315.6	37,476.4	64,606.8	60,017.7
3 to 6 months	156,415.2	106,274.8	353,452.6	98,782.1	31,405.6	82,855.8
6 months to 1 year	260,207.4	171,675.0	596,599.9	112,847.4	61,401.7	121,563.8
1 to 3 years	773,243.4	208,115.1	812,119.4	176,727.5	66,300.5	143,269.2
3 to 5 years	331,808.1	46,577.8	34,047.3	176,974.8	125,974.1	170,063.8
Above 5 years	458,222.1	224,154.0	15,255.3	29,319.4	229,717.0	74,283.0
Total	2,256,160.8	1,114,543.4	2,444,310.5	656,484.3	657,991.7	714,318.1

1. Includes foreign currency balances.
2. Excludes borrowings in the nature of sub-ordinated debts.

6. Related party transactions

The Bank has transactions with its related parties comprising of subsidiaries, associates/joint ventures/other related entities and key management personnel.

Subsidiaries

ICICI Venture Funds Management Company Limited, ICICI Securities Primary Dealership Limited, ICICI Securities 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 PLC, ICICI Bank Canada, ICICI Prudential Life Insurance Company Limited[1], ICICI Lombard General Insurance Company Limited[1], ICICI Prudential Asset Management Company Limited[1], ICICI Prudential Trust Limited[1], ICICI Bank Eurasia Limited Liability Company and ICICI Wealth Management Inc.

1. Jointly controlled entities.

Associates/Joint Ventures/other related entities

ICICI Equity Fund[1], ICICI Eco-net Internet and Technology Fund[1], ICICI Emerging Sectors Fund[1], ICICI Strategic Investments Fund[1], ICICI Kinfra Limited[1], ICICI West Bengal Infrastructure Development Corporation Limited[1], Financial Information Network and Operations Limited, TCW/ICICI Investment Partners LLC, TSI Ventures (India) Private Limited (upto June 30, 2008), I-Process Services (India) Private Limited, I-Solutions Providers (India) Private Limited, NIIT Institute of Finance, Banking and Insurance Training Limited, ICICI Venture Value Fund, Comm Trade Services Limited, Loyalty Solutions & Research Limited[1], Traveljini.com Limited (upto March 31, 2008), Contests2win.com India Private Limited[2], Crossdomain Solutions Private Limited[2], Transafe Services Limited[2], Prize Petroleum Company Limited[2], ICICI Foundation for Inclusive Growth[2], Firstsource Solutions Limited (Bank's holding is 24.79% as on March 21, 2009) and I-Ven Biotech Limited[1, 2].

1. Entities consolidated under Accounting Standard-21 (AS-21) on "Consolidated Financial Statements".
2. With respect to entities, which have been identified as related parties during the year ended March 31, 2009, previous year's comparative figures have not been reported.

Key management personnel

K. V. Kamath, Chanda D. Kochhar, V. Vaidyanathan, Madhabi Puri Buch[1], Sonjoy Chatterjee[2], K. Ramkumar[3], Kalpana Morparia[4], Nachiket Mor[5].

Relatives of key management personnel

Rajalakshmi Kamath, Ajay Kamath, Ajnya Pai, Mohan Kamath, Deepak Kochhar, Arjun Kochhar, Aarti Kochhar, Mahesh Advani, Varuna Karna, Sunita R. Advani, Jeyashree V., V. Satyamurthy, V. Krishnamurthy, K. Vembu, Dhaval Buch[1], Kamal Puri[1], Rama Puri[1], Ameeta Chatterjee[2], Somnath Chatterjee[2], Tarak Nath Chatterjee[2], R. Shyam[3], R. Suchithra[3], J. Krishnaswamy[3].

1. Transactions reported with effect from June 1, 2007 and upto January 31, 2009.
2. Transactions reported with effect from October 22, 2007
3. Transactions reported with effect from February 1, 2009.
4. Transactions reported upto May 31, 2007
5. Transactions reported upto October 18, 2007

The following are the significant transactions between the Bank and its related parties for the year ended March 31, 2009. The material transactions are reported wherever the transaction with an entity exceeds 10% of the particular category of transactions.

Insurance services

During the year ended March 31, 2009, the Bank paid insurance premium to insurance subsidiaries amounting to Rs. 1,132.6 million (March 31, 2008: Rs. 1,065.3 million). The material transactions for the year ended March 31, 2009 were with ICICI Lombard General Insurance Company Limited for Rs. 1,039.9 million (March 31, 2008: Rs. 974.8 million).

During the year ended March 31, 2009, the Bank received claims from insurance subsidiaries amounting to Rs. 965.1 million (March 31, 2008: Rs. 713.9 million). The material transactions for the year ended March 31, 2009 were with ICICI Lombard General Insurance Company Limited for Rs. 924.1 million (March 31, 2008: Rs. 688.9 million).

Fees and commission

During the year ended March 31, 2009, the Bank received fees from its subsidiaries amounting to Rs. 3,704.8 million (March 31, 2008: Rs. 5,748.7 million), from its associates/joint ventures/other related entities amounting to Rs. 142.1 million (March 31, 2008: Rs. 72.5 million) and from key management personnel amounting to Rs. 0.6 million. The material transactions for the year ended March 31, 2009 were with ICICI Securities Limited for Rs. 454.8 million (March 31, 2008: Rs. 903.7 million), ICICI Prudential Life Insurance Company Limited for Rs. 2,385.3 million (March 31, 2008: Rs. 3,033.1 million) and ICICI Lombard General Insurance Company Limited for Rs. 625.6 million (March 31, 2008: Rs. 948.2 million).

During the year ended March 31, 2009, the Bank received commission from its subsidiaries of Rs. 9.0 million (March 31, 2008: Rs. 9.3 million) and from its associates/joint ventures/other related entities amounting to Rs. 7.5 million (March 31, 2008: Rs. 7.4 million). The material transactions for the year ended March 31, 2009 were with ICICI Home Finance Company Limited for Rs. 7.8 million (March 31, 2008: Rs. 7.8 million) and Firstsource Solutions Limited for Rs. 7.2 million (March 31, 2008: Rs. 7.4 million).

Lease of premises and facilities

During the year ended March 31, 2009, the Bank received income from its subsidiaries amounting to Rs. 1,670.5 million (March 31, 2008: Rs. 982.8 million) and from its associates/joint ventures/other related entities amounting to Rs. 7.0 million (March 31, 2008: Rs. 3.9 million) for lease of premises, facilities and other administrative costs. The material transactions for the year ended March 31, 2009 were with ICICI Securities Limited for Rs. 361.5 million (March 31, 2008: Rs. 266.9 million), ICICI Home Finance Company Limited for Rs. 344.2 million (March 31, 2008: Rs. 3.1 million), ICICI Bank UK PLC for Rs. 431.6 million (March 31, 2008: Rs. 254.9 million), ICICI Bank Canada for Rs. 137.1 million (March 31, 2008: Rs. 102.6 million), ICICI Prudential Life Insurance Company Limited for Rs. 164.0 million (March 31, 2008: Rs. 102.5 million) and ICICI Lombard General Insurance Company Limited for Rs. 202.4 million (March 31, 2008: Rs. 186.8 million).

Sale of housing loan portfolio

During the year ended March 31, 2009, the Bank sold housing loan portfolio to ICICI Home Finance Company Limited amounting to Rs. Nil (March 31, 2008: Rs. 6,231.4 million).

Secondment of employees

During the year ended March 31, 2009, the Bank received compensation from its subsidiaries amounting to Rs. 277.1 million (March 31, 2008: Rs. 302.8 million) and from its associates/joint ventures/other related entities amounting to Rs. 16.8 million (March 31, 2008: Rs. 12.7 million) for secondment of employees. The material transactions for the year ended March 31, 2009 were with ICICI Securities Limited for Rs. 53.4 million (March 31, 2008: Rs. 91.5 million) and ICICI Home Finance Company Limited for Rs. 217.2 million (March 31, 2008: Rs. 190.5 million).

Purchase of investments

During the year ended March 31, 2009, the Bank purchased certain investments from its subsidiaries amounting to Rs. 15,170.3 million (March 31, 2008: Rs. 7,934.2 million). The material transactions for the year ended March 31, 2009 were with ICICI Securities Primary Dealership Limited for Rs. 6,695.0 million (March 31, 2008: Rs. 7,636.3 million) and ICICI Prudential Life Insurance Company Limited for Rs. 7,922.9 million (March 31, 2008: Rs. 146.2 million).

During the year ended March 31, 2009, the Bank invested in the equity shares, preference shares and bonds of its subsidiaries amounting to Rs. 41,755.0 million (March 31, 2008: Rs. 43,009.2 million) and in its associates/joint ventures/other related entities amounting to Rs. Nil (March 31, 2008: Rs. 57.5 million). The material transactions for the year ended March 31, 2009 were with ICICI Home Finance Company Limited for Rs. 3,000.0 million (March 31, 2008: Rs. 5,000.0 million), ICICI Bank UK PLC for Rs. 4,696.5 million (March 31, 2008: Rs. 12,404.9 million), ICICI Bank Canada for Rs. 22,188.3 million (March 31, 2008: Rs. 10,414.9 million) and ICICI Prudential Life Insurance Company Limited for Rs. 8,081.6 million (March 31, 2008: Rs. 12,580.0 million).

Sale of investments

During the year ended March 31, 2009, the Bank sold certain investments to its subsidiaries amounting to Rs. 13,854.6 million (March 31, 2008: Rs. 15,526.7 million). The material transactions for the year ended March 31, 2009 were with ICICI Securities Primary Dealership Limited for Rs. 5,103.5 million (March 31, 2008: Rs. 11,705.0 million), ICICI Bank UK PLC for Rs. 1,836.0 million (March 31, 2008: Rs. Nil) and ICICI Prudential Life Insurance Company Limited for Rs. 6,364.8 million (March 31, 2008: Rs. 3,223.2 million).

Redemption/buyback and conversion of investments

During the year ended March 31, 2009, the Bank received Rs. 583.5 million (March 31, 2008: Rs. 1.2 million) on account of buyback of equity shares by subsidiaries and Rs. 183.5 million (March 31, 2008: Rs. 2,762.4 million) on account of buyback/redemption of equity shares/units by associates/joint ventures/other related entities. The material transactions for the year ended March 31, 2009 were with ICICI Securities Primary Dealership Limited for Rs. 583.5 million (March 31, 2008: Rs. 1.2 million), ICICI Equity Fund for Rs. 125.0 million (March 31, 2008: Rs. 571.5 million), ICICI Emerging Sectors Fund for Rs. Nil (March 31, 2008: Rs. 2,070.3 million) and Crossdomain Solutions Private Limited for Rs. 58.5 million.

Reimbursement of expenses

During the year ended March 31, 2009, the Bank reimbursed expenses to ICICI Home Finance Company Limited amounting to Rs. 60.8 million (March 31, 2008: Rs. 526.8 million) and to its associates/joint ventures/other related entities amounting to Rs. Nil (March 31, 2008: Rs. 0.8 million).

Brokerage and fee expenses

During the year ended March 31, 2009, the Bank paid brokerage/fees to its subsidiaries amounting to Rs. 627.0 million (March 31, 2008: Rs. 950.7 million) and to its associates/joint ventures/other related entities amounting to Rs. 2,151.2 million (March 31, 2008: Rs. 2,354.7 million). The material transactions for the year ended March 31, 2009 were with ICICI Home Finance Company Limited for Rs. 438.7 million (March 31, 2008: Rs. 621.3 million), Loyalty Solutions & Research Limited for Rs. 673.6 million (March 31, 2008: Rs. 23.3 million), I-Process Services (India) Private Limited for Rs. 1,027.5 million (March 31, 2008: Rs. 1,029.0 million) and I-Solutions Providers (India) Private Limited for Rs. 227.2 million (March 31, 2008: Rs. 932.1 million).

Custodial charges income

During the year ended March 31, 2009, the Bank received custodial charges from its subsidiaries amounting to Rs. 11.4 million (March 31, 2008: Rs. 16.3 million) and from its associates/joint ventures/other related entities amounting to Rs. 3.3 million (March 31, 2008: Rs. 6.8 million). The material transactions for the year ended March 31, 2009 were with ICICI Securities Primary Dealership Limited for Rs. 7.6 million (March 31, 2008: Rs. 12.1 million), ICICI Lombard General Insurance Company Limited for Rs. 3.8 million (March 31, 2008: Rs. 4.0 million) and ICICI Emerging Sectors Fund for Rs. 1.0 million (March 31, 2008: Rs. 3.1 million).

Interest expenses

During the year ended March 31, 2009, the Bank paid interest to its subsidiaries amounting to Rs. 1,592.6 million (March 31, 2008: Rs. 3,311.9 million) to its associates/joint ventures/other related entities amounting to Rs. 21.8 million (March 31, 2008: Rs. 28.2 million) to its key management personnel amounting to Rs. 2.3 million and to relatives of key management personnel amounting to Rs. 1.3 million. The material transactions for the year ended March 31, 2009 were with ICICI Securities Limited for Rs. 171.4 million (March 31, 2008: Rs. 72.1 million), ICICI Bank UK PLC for Rs. 98.9 million (March 31, 2008: Rs. 1,804.5 million), ICICI Bank Canada for Rs. 660.1 million (March 31, 2008: Rs. 834.2 million) and ICICI Prudential Life Insurance Company Limited for Rs. 427.7 million (March 31, 2008: Rs. 348.6 million).

Interest income

During the year ended March 31, 2009, the Bank received interest from its subsidiaries amounting to Rs. 9,006.7 million (March 31, 2008: Rs. 1,575.3 million), from its associates/joint ventures/other related entities amounting to Rs. 5.3 million (March 31, 2008: Rs. 21.0 million), from its key management personnel Rs. 2.3 million (March 31, 2008: Rs. 0.7 million) and from relatives of key management personnel amounting to Rs. 0.3 million. The material transactions for the year ended March 31, 2009 were with ICICI Securities Primary Dealership Limited for Rs. 1,544.8 million (March 31, 2008: Rs. 342.8 million), ICICI Home Finance Company Limited for Rs. 522.8 million (March 31, 2008: Rs. 273.0 million), ICICI Bank Eurasia Limited Liability Company for Rs. 547.1 million (March 31, 2008: Rs. 611.9 million), ICICI Bank UK PLC for Rs. 1,443.8 million (March 31, 2008: Rs. 105.3 million) and ICICI Bank Canada for Rs. 4,834.7 million (March 31, 2008: Rs. 86.2 million).

Other income

During the year ended March 31, 2009, the net gain/(loss) on derivative transactions entered into with subsidiaries amounted to Rs. 9,239.3 million (March 31, 2008: net gain of Rs. 4,398.0 million) and with its associates/joint ventures/other related entities amounted to Rs. 9.9 million (March 31, 2008: Rs. Nil). The material transactions for the year ended March 31, 2009 were with ICICI Bank UK PLC for Rs. 1,175.3 million (March 31, 2008: Rs. 4,677.0 million) and ICICI Bank Canada for Rs. 7,861.4 million (March 31, 2008: Rs. 401.5 million).

Dividend income

During the year ended March 31, 2009, the Bank received dividend from its subsidiaries amounting to Rs. 3,348.2 million (March 31, 2008: Rs. 3,636.6 million) and from its associates/joint ventures/other related entities amounting to Rs. Nil (March 31, 2008: Rs. 8,931.4 million). The material transactions for the year ended March 31, 2009 were with ICICI Securities Primary Dealership Limited for Rs. 1,300.5 million (March 31, 2008: Rs. 729.5 million), ICICI Venture Funds Management Company Limited for Rs. 950.0 million (March 31, 2008: Rs. 725.0 million), ICICI Home Finance Company Limited for Rs. 740.6 million (March 31, 2008: Rs. 431.3 million) and ICICI Emerging Sectors Fund for Rs. Nil (March 31, 2008: Rs. 7,725.7 million).

Dividend paid

During the year ended March 31, 2009, the Bank paid dividend to its key management personnel amounting to Rs. 10.2 million (March 31, 2008: Rs. 15.0 million). The material transactions for the year ended March 31, 2009 were with K. V. Kamath for Rs. 5.4 million (March 31, 2008: Rs. 6.2 million), Chanda D. Kochhar for Rs. 3.0 million (March 31, 2008: Rs. 2.8 million), Madhabi Puri Buch for Rs. 1.1 million (March 31, 2008: Rs. 1.2 million) and Kalpana Morparia for Rs. Nil (March 31, 2008: Rs. 4.3 million).

Remuneration to whole-time directors

During the year ended March 31, 2009, the Bank paid remuneration to the whole-time directors of the Bank amounting to Rs. 91.7 million (March 31, 2008: Rs. 90.3 million). The material transactions for the year ended March 31, 2009 were with K. V. Kamath for Rs. 30.8 million (March 31, 2008: Rs. 27.9 million), Madhabi Puri Buch for Rs. 13.5 million (March 31, 2008: Rs. 10.0 million), Chanda D. Kochhar for Rs. 18.4 million (March 31, 2008: Rs. 15.6 million), Kalpana Morparia for Rs. Nil (March 31, 2008 : Rs. 9.7 million), Nachiket Mor for Rs. Nil (March 31, 2008: Rs. 10.0 million), V. Vaidyanathan for Rs. 14.4 million (March 31, 2008: Rs. 13.4 million) and Sonjoy Chatterjee for Rs. 13.0 million (March 31, 2008: Rs. 3.7 million).

Lines of credit

As on March 31, 2009, the Bank had issued lines of credit to its subsidiaries amounting to Rs. 1,601.5 million (March 31, 2008: Rs. 1,003.0 million). The material transactions for the year ended March 31, 2009 were with ICICI Securities Limited for Rs. 333.5 million (March 31, 2008: Rs. Nil) and ICICI Bank Canada for Rs. 1,268.0 million (March 31, 2008: Rs. 1,003.0 million).

Sale of fixed assets

During the year ended March 31, 2009, the Bank sold fixed assets to its subsidiaries amounting to Rs. 65.3 million (March 31, 2008: Rs. 151.8 million). The material transactions for the year ended March 31, 2009 were with ICICI Home Finance Company Limited for Rs. 58.3 million (March 31, 2008: Rs. Nil), ICICI Securities Limited for Rs. 5.9 million (March 31, 2008: Rs. 99.3 million), ICICI Prudential Life Insurance Company Limited for Rs. 1.1 million (March 31, 2008: Rs. 24.2 million) and ICICI Lombard General Insurance Company Limited for Rs. Nil (March 31, 2008: Rs. 28.3 million).

Purchase of fixed assets

During the year ended March 31, 2009, the Bank purchased fixed assets from its subsidiaries amounting to Rs. 1.2 million (March 31, 2008: Rs. Nil) and from its associates/joint ventures/other related entities amounting to Rs. 13.0 million (March 31, 2008: Rs. Nil). The material transactions for the year ended March 31, 2009 were with Financial Information Network and Operations Limited for Rs. 12.4 million (March 31, 2008: Rs. Nil).

Donation

During the year ended March 31, 2009, the Bank has given donation to ICICI Foundation for Inclusive Growth amounting to Rs. 300.0 million.

Letters of Comfort

The Bank has issued letters of comfort on behalf of its foreign subsidiaries namely, ICICI Bank UK PLC and ICICI Bank Canada. The details of the same are given under:

On behalf of	To	Purpose
ICICI Bank UK PLC	Financial Services Authority, UK (“FSA”)	To financially support ICICI Bank UK PLC 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

The Bank has issued an undertaking on behalf of ICICI Securities Inc. for Singapore dollar 10.0 million (Rs. 333.5 million) to Monetary Authority of Singapore (MAS), which is included in the contingent liabilities.

As per the assessment done, there is no financial impact of the above letters issued to overseas regulators as at March 31, 2009.

In addition to the above, the Bank has also issued letters of comfort in the nature of awareness on behalf of banking and non-banking subsidiaries in respect of their borrowings made or proposed to be made and for other incidental business purposes. As they are in the nature of factual statements or confirmation of facts, they do not create any financial impact on the Bank.

Related party balances

The balances payable to/receivable from subsidiaries/joint ventures/associates/other related entities/key management personnel and relatives of key management personnel included in the balance sheet as on March 31, 2009 are given below:

Items/Related party	Subsidiaries	Associates/joint ventures/other related entities	Key Management Personnel	Relatives of Key Management Personnel	Total
			(Rupees in million)		
Deposits with ICICI Bank	12,390.3	434.2	56.7	16.9	12,898.1
Deposits of ICICI Bank	55.8	—	—	—	55.8
Call/term money lent	4,260.5	—	—	—	4,260.5
Call/term money borrowed	3,544.7	—	—	—	3,544.7
Advances	19,294.0	42.5	7.9	7.5	19,351.9
Investments of ICICI Bank	131,711.6	12,034.2	—	—	143,745.8
Investments of related parties in ICICI Bank	794.8	—	9.3	—	804.1
Receivables	1,964.3	239.4	—	—	2,203.7
Payables	67.8	289.5	—	—	357.3
Guarantees	3,404.5	1,916.1	—	—	5,320.6
Swaps/forward contracts (notional amount)	550,751.0	—	—	—	550,751.0
Employee Stock Options Outstanding (Nos.)	—	—	3,318,125	—	3,318,125
Employee Stock Options Exercised[1]	—	—	—	—	—

1. During the year ended March 31, 2009, Nil employee stock options were exercised.

The maximum balance payable to/receivable from subsidiaries/joint ventures/associates/other related entities/key management personnel and relatives of key management personnel during the year ended March 31, 2009 is given below:

Items/Related party	Subsidiaries	Associates/joint ventures/other related entities	Key Management Personnel	Relatives of Key Management Personnel	Total
			(Rupees in million)		
Deposits with ICICI Bank	16,899.9	845.0	119.7	38.0	17,902.6
Deposits of ICICI Bank	1,589.9	—	—	—	1,589.9
Call/term money lent	10,922.1	—	—	—	10,922.1
Call/term money borrowed	3,690.5	—	—	—	3,690.5
Advances	20,981.4	208.3	63.6	7.6	21,260.9
Investments of ICICI Bank	131,711.6	12,159.2	—	—	143,870.8
Investments of related parties in ICICI Bank	2,043.0[1]	—	9.3	—	2,052.3
Receivables	3,649.0	464.0[1]	—	—	4,113.0
Payables	1,382.6[1]	289.5[1]	—	—	1,672.1
Guarantees	3,407.2	2,441.4	—	—	5,848.6
Swaps/forward contracts (notional amount)	647,121.7	880.4	—	—	648,002.1

1. Maximum balances are determined based on comparison of the total outstanding balances as at each quarter end during the financial year.

The balances payable to/receivable from subsidiaries/joint ventures/associates/other related entities/key management personnel and relatives of key management personnel included in the balance sheet as on March 31, 2008 are given below:

Items/Related party	Subsidiaries	Associates/joint ventures/other related entities	Key Management Personnel	Relatives of Key Management Personnel	Total
			(Rupees in million)		
Deposits with ICICI Bank	11,476.0	268.9	27.1	14.1	11,786.1
Deposits of ICICI Bank	(17.1)	—	—	—	(17.1)
Call/term money lent	15,917.8	—	—	—	15,917.8
Call/term money borrowed	240.7	—	—	—	240.7
Advances	5,002.5	145.5	13.9	2.2	5,164.1
Investments of ICICI Bank	88,178.8	12,109.2	—	—	100,288.0
Investments of related parties in ICICI Bank	2,250.5	—	8.6	0.5	2,259.6
Receivables	3,351.7	52.5	—	—	3,404.2
Payables	436.4	350.1	—	—	786.5
Guarantees	3,400.2	2,360.2	—	—	5,760.4
Swaps/forward contracts (notional amount)	508,047.8	—	—	—	508,047.8
Employee Stock Options Outstanding (Nos.)	—	—	2,860,625	—	2,860,625
Employee Stock Options Exercised[1]	—	—	138.1	—	138.1

1. During the year ended March 31, 2008, 317,125 employee stock options were exercised.

The maximum balance payable to/receivable from subsidiaries/joint ventures/associates/other related entities/key management personnel and relatives of key management personnel during the year ended March 31, 2008 is given below:

Items/Related party	Subsidiaries	Associates/joint ventures/other related entities	Key Management Personnel	Relatives of Key Management Personnel	Total
			(Rupees in million)		
Deposits with ICICI Bank	50,517.8	5,603.3	71.4	22.5	56,215.0
Deposits of ICICI Bank	1,120.8	—	—	—	1,120.8
Call/term money lent	17,249.5	—	—	—	17,249.5
Call/term money borrowed	2,865.0	—	—	—	2,865.0
Advances	11,496.4	1,021.3	28.7	2.2	12,548.6
Investments of ICICI Bank	88,178.8	18,895.0	—	—	107,073.8
Investments of related parties in ICICI Bank	2,250.5[1]	—	10.8	1.6	2,262.9
Receivables	5,593.5	49.7[1]	—	—	5,643.2
Payables	1,483.4[1]	350.1[1]	—	—	1,833.5
Guarantees	3,450.2	2,360.2	—	—	5,810.4
Swaps/forward contracts (notional amount)	524,892.6	—	—	—	524,892.6

1. Maximum balances are determined based on comparison of the total outstanding balances as at each quarter end during the financial year.

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, 2009 (including direct assignment) and March 31, 2008 is given in the table below:

	Year ended March 31, 2009	Year ended March 31, 2008
	(Rupees in million, except number of loans securitised)	
Total number of loan assets securitised	7,053	1,149,931
Total book value of loan assets securitised	8,581.1	140,852.0
Sale consideration received for the securitised assets	8,621.9	142,470.4
Net gain/(loss) on account of securitisation[1]	(3,211.5)	168.2

1. Includes loss booked upfront on sales during the year, gain/(loss) on deal closures, gain amortised during the year & expenses relating to utilisation of credit enhancement.

	As on March 31, 2009	As on March 31, 2008
	(Rupees in million)	
Outstanding credit enhancement (funded)	13,086.1	15,601.2
Outstanding liquidity facility	6,853.4	7,740.8
Net outstanding servicing asset/(liability)	748.9	1,355.4
Outstanding subordinate contributions	8,849.0	11,459.5

The outstanding credit enhancement in the form of guarantees amounted to Rs. 27,732.9 million as on March 31, 2009 (March 31, 2008: Rs. 29,155.6 million).

Outstanding credit enhancement in the form of guarantees for third party originated securitisation transactions amounted to Rs. Nil as on March 31, 2009 (March 31, 2008: Rs. 805.0 million) and outstanding liquidity facility for third party originated securitisation transactions amounted to Rs. 4.0 million as on March 31, 2009 (March 31, 2008: Rs. 8.6 million).

The details of provision created at the time of securitisation are given below:

Particulars	Year ended March 31, 2009
	(Rupees in million)
Opening balance	9,186.7
Add: Additions during the year	630.5
Less: Deductions during the year	4,250.0
Closing balance	5,567.2

8. Staff retirement benefits

Pension

Reconciliation of opening and closing balance of the present value of the defined benefit obligation for pension benefits is given below:

Particulars	Year ended March 31, 2009	Year ended March 31, 2008
	(Rupees in million)	
Opening obligations	1,678.1	1,029.4
Add: Addition due to amalgamation	—	1,807.4
Service cost	62.5	54.0
Interest cost	146.6	230.7
Actuarial (gain)/loss	484.8	(172.3)
Liabilities extinguished on settlement	(364.2)	(1,071.0)
Benefits paid	(75.6)	(200.1)
Obligations at end of year	1,932.2	1,678.1
Opening plan assets, at fair value	1,490.1	988.5
Add: Addition due to amalgamation	—	584.8
Expected return on plan assets	117.4	115.8
Actuarial gain/(loss)	144.8	(118.0)
Assets distributed on settlement	(395.8)	(1,145.2)
Contributions	864.4	1,264.3
Benefits paid	(75.6)	(200.1)
Closing plan assets, at fair value	2,145.3	1,490.1
Fair value of plan assets at the end of the year	2,145.3	1,490.1
Present value of the defined benefit obligations at the end of the year	1,932.2	1,678.1
Amount not recognised as an asset (limit in Para 59(b))	51.2	—
Asset/(liability)	161.9	(188.0)
Cost for the year		
Service cost	62.5	54.0
Interest cost	146.6	230.7
Expected return on plan assets	(117.4)	(115.8)
Actuarial (gain)/loss	340.0	(54.3)
Curtailments & settlements (gain)/loss	31.6	74.2
Effect of the limit in para 59(b)	51.2	—
Net cost	514.5	188.8

Investment details of plan assets

Majority of the plan assets are invested in Government securities and corporate bonds.

Assumptions		
Interest rate	6.85%	8.57%
Salary escalation rate	7.00%	7.00%
Estimated rate of return on plan assets	8.00%	8.00%

Experience adjustment

Particulars	Year ended March 31, 2009	Year ended March 31, 2008	Year ended March 31, 2007
	(Rupees in million)		
Plan assets	2,145.3	1,490.1	988.5
Defined benefit obligations	1,932.2	1,678.1	1,029.4
Amount not recognised as an asset (limit in para 59(b))	51.2	—	—
Surplus/(deficit)	161.9	(188.0)	(40.9)
Experience adjustment on plan assets	144.8	(117.9)	(110.1)
Experience adjustment on plan liabilities	6.6	(121.9)	32.8

Gratuity

Reconciliation of opening and closing balance of the present value of the defined benefit obligation for gratuity benefits is given below:

Particulars	Year ended March 31, 2009	Year ended March 31, 2008
	(Rupees in million)	
Opening obligations	1,840.4	1,142.1
Add: Adjustment for exchange fluctuation on opening obligations	6.4	—
Add: Addition due to amalgamation/initial recognition of foreign branches	0.9	506.6
Service cost	321.6	292.8
Interest cost	183.9	136.4
Actuarial (gain)/loss	140.3	(62.0)
Transitional obligation/(asset)	—	(0.2)
Liability assumed on acquisition/(settled on divestiture)	(28.8)	—
Benefits paid	(269.0)	(175.3)
Obligations at end of year	2,195.7	1,840.4
Opening plan assets, at fair value	1,506.7	891.7
Add: Addition due to amalgamation	—	73.1
Expected return on plan assets	128.5	74.4
Actuarial gain/(loss)	(118.0)	(24.8)
Contributions	1,052.7	667.6
Assets acquired on acquisition/(distributed on divestiture)	(28.8)	—
Benefits paid	(269.0)	(175.3)
Closing plan assets, at fair value	2,272.1	1,506.7
Fair value of plan assets at the end of the year	2,272.1	1,506.7
Present value of the defined benefit obligations at the end of the year	2,195.7	1,840.4
Amount not recognised as an asset (limit in Para 59(b))	7.9	—
Asset/(liability)	68.5	(333.7)
Cost for the year		
Service cost	321.6	292.8
Interest cost	183.9	136.4
Expected return on plan assets	(128.5)	(74.4)
Actuarial (gain)/loss	258.3	(37.2)
Exchange fluctuation loss/(gain)	6.4	—
Transitional obligation/(asset)	—	(0.2)
Effect of the limit in para 59(b)	7.9	—
Net cost	649.6	317.4

Investment details of plan assets

Majority of the plan assets are invested in insurer managed funds and special deposit schemes.

Assumptions		
Interest rate	6.85%	8.57%
Salary escalation rate	7.00%	7.00%
Estimated rate of return on plan assets	8.00%	8.00%

Experience adjustment

Particulars	Year ended March 31, 2009	Year ended March 31, 2008	Year ended March 31, 2007
		(Rupees in million)	
Plan assets	2,272.1	1,506.7	891.7
Defined benefit obligations	2,195.7	1,840.4	1,142.1
Amount not recognised as an asset (limit in para 59(b))	7.9	—	—
Surplus/(deficit)	68.5	(333.7)	(250.4)
Experience adjustment on plan assets	(118.0)	(24.8)	(18.0)
Experience adjustment on plan liabilities	(4.1)	14.0	38.1

The estimates of future salary increases, considered in actuarial valuation, take into consideration inflation, seniority, promotion and other relevant factors.

The guidance on implementing Accounting Standard 15, Employee Benefits (revised 2005) issued by the Accounting Standards Board (ASB) provides that exempt provident funds which require employers to meet the interest shortfall are in effect defined benefit plans. The Bank's actuary has informed that it is not practicable to actuarially determine the interest shortfall obligation.

9. 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. Under the stock option scheme, options vest in a graded manner over a four-year period, with 20%, 20%, 30% and 30% 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.

In terms of the Scheme, 18,992,504 options (March 31, 2008: 15,638,152 options) granted to eligible employees were outstanding as at March 31, 2009.

As per the scheme, the exercise price of ICICI Bank's options is the last closing price on the stock exchange, which recorded highest trading volume preceding the date of grant of options. Hence, there is no compensation cost in the year ended March 31, 2009 based on intrinsic value of options. However, if ICICI Bank had used the fair value of options based on the Black-Scholes model, compensation cost for the year ended March 31, 2009 would have been higher by Rs. 1,411.7 million and proforma profit after tax would have been Rs. 36,169.6 million. On a proforma basis, ICICI Bank's basic and diluted earnings per share would have been Rs. 32.49 and Rs. 32.43 respectively. The key assumptions used to estimate the fair value of options granted during the year ended March 31, 2009 are given below:

Risk-free interest rate	7.62% to 9.24%
Expected life	2-6.4 years
Expected volatility	38.90% to 45.23%
Expected dividend yield	1.20% to 3.57%

The weighted average fair value of options granted during the year ended March 31, 2009 is Rs. 331.19.

A summary of the status of the Bank's stock option plan is given below:

Particulars	Stock options outstanding			
	Year ended March 31, 2009		Year ended March 31, 2008	
	Number of options	Weighted Average Exercise Price	Number of options	Weighted Average Exercise Price
	(Rupees, except number of options)			
Outstanding at the beginning of the year	15,638,152	596.32	13,187,783	442.50
Add: Granted during the year	5,640,500	912.30	4,956,300	938.41
Less: Lapsed during the year	1,723,001	737.40	1,037,218	582.51
Less: Exercised during the year	563,147	336.96	1,468,713	379.34
Outstanding at the end of the year	18,992,504	685.05	15,638,152	596.32
Options exercisable	7,188,420	496.10	3,272,292	411.89

Summary of stock options outstanding as on March 31, 2009 is given below:

Range of exercise price (Rupees per share)	Number of shares arising out of options (Number of shares)	Weighted average exercise price (Rupees)	Weighted average remaining contractual life (Number of years)
105-299	136,682	150.53	2.79
300-599	9,384,822	451.17	6.34
600-999	9,403,000	923.15	8.61
1,000-1,399	68,000	1,114.57	8.65

Weighted average share price at the date of exercise of options as per National Stock Exchange price volume data was Rs. 723.55 for the year ended March 31, 2009. Weighted average share price as per National Stock Exchange price volume data was Rs. 1,044.02 for the year ended March 31, 2008.

The Finance Act, 2007 introduced Fringe Benefit Tax ("FBT") on employee stock options. The FBT liability crystallises on the date of exercise of stock options by employees and is computed based on the difference between fair market value on date of vesting and the exercise price. As per the ESOS scheme, FBT of Rs 81.9 million (March 31, 2008: Rs. 226.7 million) has been recovered from the employees on 563,147 (March 31, 2008: 1,468,713) stock options exercised during the year ended March 31, 2009.

10. Preference shares

Certain government securities amounting to Rs. 2,356.6 million (March 31, 2008: Rs. 2,331.8 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.

11. Subordinated debt

During the year ended March 31, 2009, the Bank raised subordinated debt qualifying for Tier II capital amounting to Rs. 45,210.0 million. The details of these bonds are given below:

Particulars	Date of Issue	Coupon Rate (%)	Tenure	Amount
		(Rupees in million)		
Upper Tier II (Tranche 3)	June 20, 2008	10.00% (annually)[1]	15 years	7,500.0
Upper Tier II	September 22, 2008	11.25% (annually)[1]	15 years	10,000.0
Upper Tier II	November 11, 2008	12.00% (annually)[2]	15 years	15,000.0
Upper Tier II	March 26, 2009	9.95% (annually)[3]	15 years	12,710.0
Total Upper Tier II				45,210.0

1. 50 basis points over and above the coupon rate payable annually for the balance years after October 31, 2018, if the call option is not exercised by the Bank, call option exercisable on October 31, 2018 with RBI approval.

2. 50 basis points over and above the coupon rate payable annually for the balance years after November 30, 2018, if the call option is not exercised by the Bank, call option exercisable on November 30, 2018 with RBI approval.

3. 50 basis points over and above the coupon rate payable annually for the balance years after March 26, 2019, if the call option is not exercised by the Bank, call option exercisable on March 26, 2019 with RBI approval.

During the year ended March 31, 2008, the Bank raised subordinated debt qualifying for Tier I/Tier II capital amounting to Rs. 22,350.0 million. The details of these bonds are given below:

Particulars	Date of Issue	Coupon Rate (%)	Tenure	Amount
		(Rupees in million)		
Tier I (Tranche 1 Option I)	January 10, 2008	10.15% (annually)[1]	Perpetual[2]	5,000.0
Total Tier I (1)				5,000.0
Upper Tier II (Tranche 1 Option II)	January 10, 2008	9.70% (annually)[1]	15 years[3]	5,000.0
Total Upper Tier II (2)				5,000.0
Tier II (Tranche 2 Option I)	January 21, 2008	9.15% (annually)	5 years and 3 months	1,230.0
Tier II (Tranche 2 Option II)	January 21, 2008	9.25% (annually)	10 years	1,120.0
Tier II (Option A-I)	November 10, 2007	9.80% (annually)	5 years and 3 months	6,098.7
Tier II (Option A-II)	November 10, 2007	9.39% (monthly)	5 years and 3 months	74.8
Tier II (Option B-I)	November 10, 2007	10.00% (annually)	10 years	3,718.0
Tier II (Option B-II)	November 10, 2007	9.57% (monthly)	10 years	108.5
Total Tier II (3)				12,350.0
Total (1+2+3)				22,350.0

1. 50 basis points over and above the coupon rate payable annually for the balance years after April 30, 2018, if the call option is not exercised by the bank.

2. These bonds have been issued with a call option exercisable after 10 years from the date of issue i.e. April 30, 2018, and on every interest payment date thereafter with RBI approval.

3. These bonds have been issued with a call option exercisable after 10 years i.e. April 30, 2018, with RBI approval.

12. Investments

The details of investments and the movement of provisions held towards depreciation of investments of the Bank as on March 31, 2009 and March 31, 2008 are given below:

	Particulars	As on March 31, 2009	As on March 31, 2008
		(Rupees in million)	
1.	Value of Investments		
(i)	Gross value of investments		
	a) In India	947,314.5	1,056,883.5
	b) Outside India	97,586.3	64,358.5
(ii)	Provision for depreciation		
	a) In India	(12,530.7)	(5,719.8)
	b) Outside India	(1,787.0)	(978.7)
(iii)	Net value of investments		
	a) In India	934,783.8	1,051,163.7
	b) Outside India	95,799.3	63,379.8
2.	Movement of provisions held towards depreciation on investments		
(i)	Opening balance	6,698.5	5,582.6
(ii)	Add: Provisions made during the year	8,912.7	2,622.7
(iii)	Less: Write-off/write back of excess provisions during the year	(1,293.5)	(1,506.8)
(iv)	Closing balance	14,317.7	6,698.5

From April 1, 2008, the Bank migrated to first-in-first-out (FIFO) basis of cost determination instead of weighted average cost (WAC) basis, in respect of its portfolios of equity shares, preference shares, mutual fund units, venture fund units, initial contributions and security receipts. The impact of this change is not considered material.

13. Investment in securities, other than government and other approved securities

i) Issuer composition of investments in securities, other than government and other approved securities.

a) The issuer composition of investments of the Bank in securities, other than government and other approved securities as on March 31, 2009, is given below:

No.	Issuer	Amount	Extent of private placement[2]	Extent of 'below investment grade' securities	Extent of 'unrated' securities[2]	Extent of 'unlisted' securities [3]
			(a)	(b)	(c)	(d)
				(Rupees in million)		
1.	PSUs	946.1	—	22.8	—	—
2.	FIs	14,279.1	8,981.6	—	45.6	126.3
3.	Banks	40,794.4	12,688.2	1,876.6	8,723.8	15,469.9
4.	Private Corporates	32,554.1	15,972.6	—	8,961.2	5,525.9
5.	Subsidiaries/Joint ventures	131,711.6	324.1	—	—	—
6.	Others [4]	188,604.2	73,680.5	33,536.3	—	—
7.	Provision held towards depreciation	(12,174.7)	—	—	—	—
	Total	396,714.8	111,647.0	35,435.7	17,730.6	21,122.1

1. Amounts reported under columns (a), (b), (c) and (d) above are not mutually exclusive.
2. Includes Rs Nil of application money towards corporate bonds/debentures.

3. This excludes investments, amounting to Rs. 6,192.6 million, in preference shares of subsidiaries, namely ICICI Bank UK PLC and ICICI Bank Canada. This also excludes investments in government securities Rs. 953.35 million of non-Indian origin made by overseas branches.

4. Other investments include deposit with NABARD under RIDF Deposit Scheme amounting to Rs. 59,999.4 million (March 31, 2008: Rs. 14,850.2 million).

5. Collateralised debt obligations securities have been included in the above data based on the arranger of such instruments.

b) The issuer composition of investments of the Bank in securities, other than government and other approved securities as on March 31, 2008, 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 [2,3]
			(a)	(b)	(c)	(d)
				(Rupees in million)		
1	PSUs	6,022.8	3,000.0	22.5	—	—
2	FIs	11,601.6	6,711.0	—	1,656.0	3,426.0
3	Banks	40,374.6	13,376.2	437.8	7,101.2	5,456.0
4	Private Corporates	35,542.1	14,345.7	—	10,068.9	6,633.6
5	Subsidiaries/Joint ventures	88,178.8	3,851.4	—	150.0	150.0
6	Others	188,582.0	75,586.5	26,358.2	—	—
7	Provision held towards depreciation	(6,067.9)	—	—	—	—
	Total	364,234.0	116,870.8	26,818.5	18,976.1	15,665.9

1. Amounts reported under columns (a), (b), (c) and (d) above are not mutually exclusive.

2. This excludes investments, amounting to Rs. 3,701.4 million, in preference shares of subsidiaries, namely ICICI Bank UK PLC and ICICI Bank Canada. This also excludes investments in government securities (Rs. 1,402.5 million) of non-Indian origin made by overseas branches.

3. Includes Rs. 1,770.0 million of application money towards bonds issued by banks, which were listed before the Audit Committee Meeting held on April 25, 2008.

4. Collateralised debt obligations securities have been included in the above data based on the arranger of such instruments.

ii) Non-performing investments in securities, other than government and other approved securities

The movement in gross non-performing investments in securities, other than government and other approved securities for the year ended March 31, 2009 and March 31, 2008 is given below:

Particulars	Year ended March 31, 2009	Year ended March 31, 2008
	(Rupees in million)	
Opening balance	3,689.6	3,083.1
Additions during the year	278.7	851.3
Reduction during the year	(139.2)	(244.8)
Closing balance	3,829.1	3,689.6
Total provisions held	3,213.8	2,276.3

14. Repurchase transactions

The details of securities sold and purchased under repos and reverse repos during the year ended March 31, 2009 and March 31, 2008 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 year end
	(Rupees in million)			
Year ended March 31, 2009				
Securities sold under repurchase transaction	—	145,875.0	66,861.3	22,092.3
Securities purchased under reverse repurchase transaction	—	10,499.7	31.5	—
Year ended March 31, 2008				
Securities sold under repurchase transaction	—	101,463.6	34,644.5	24,496.8
Securities purchased under reverse repurchase transaction	—	23,044.2	1,330.2	—

1. The above figures do not include securities sold and purchased under Liquidity Adjustment Facility ("LAF") of RBI.
2. The above figures are for Indian branches only.
3. Minimum, maximum & average outstanding is based on first leg of transaction & balance outstanding is based on book value.

15. Lending to sensitive sectors

The Bank has lending to sectors, which are sensitive to asset price fluctuations. The sensitive sectors include capital markets and real estate.

The position of lending to capital market sector is given below:

		As on March 31, 2009	As on March 31, 2008
		(Rupees in million)	
	Capital market sector		
i)	Direct investment in equity shares, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt	13,167.9	29,240.6
ii)	Advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds	7,408.5	14,324.2
iii)	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security	271.7	423.2
iv)	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds	609.7	1,692.3
v)	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers[1]	22,890.5	26,342.6
vi)	Loans sanctioned to corporates against the security of shares/bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources	—	—
vii)	Bridge loans to companies against expected equity flows/issues	—	—
viii)	Underwriting commitments taken up by the Bank in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds	—	—
ix)	Financing to stockbrokers for margin trading	—	—
x)	All exposures to Venture Capital Funds (both registered and unregistered)	13,564.3	12,805.2
xi)	Others	3,922.2	—
	Total	61,834.8	84,828.1

1. Includes a guarantee of Rs. Nil (March 31, 2008: Rs. 3,040.0 million) issued on behalf of a corporate customer to ensure equity capital contribution.

The summary of lending to real estate sector is given below:

		As on March 31, 2009	As on March 31, 2008
		(Rupees in million)	
	Real estate sector		
I	Direct exposure	697,579.8	779,388.9
i)	Residential mortgages of which; individual housing loans eligible for	545,263.3	630,857.6
	priority sector advances	266,820.6	314,071.6
ii)	Commercial real estate[1]	142,441.7	137,336.2
iii)	Investments in mortgage backed securities (MBS) and other securitised exposure	9,874.8	11,195.1
	a. Residential	9,874.8	11,195.1
	b. Commercial real estate	—	—
II	Indirect exposure	70,441.1	33,613.5
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	66,477.4	20,901.3
	Others	3,963.7	12,712.2
	Total[2]	768,020.9	813,002.4

1. Commercial real estate exposure includes loans given to land and building developers for construction, corporates for their real estate requirements, corporates for development of SEZs and to individuals/firms/corporates against non-residential premises.

2. Excludes non-banking assets acquired in satisfaction of claims.

16. Details of Single Borrower Limit ("SBL"), Group Borrower Limit ("GBL") exceeded by the Bank

During the year ended March 31, 2009, the Bank had no exposure to any single borrower and group borrower, which exceeded the prudential exposure limits prescribed by RBI.

17. 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 funded country exposure (net) of the Bank in respect of United Kingdom is 1.22%, United States of America is 1.34% and Canada is 1.05% of the total funded assets as on March 31, 2009 (as on March 31, 2008: United Kingdom was 1.81%, United States of America was 1.57% and Canada was 0.43%). As the net funded exposure to United Kingdom, United States of America and Canada exceeds 1% of total funded assets, the Bank has made a provision of Rs. 285.0 million on country exposure as on March 31, 2009 (Provision as on March 31, 2008: Rs. 245.0 million).

Risk category	Exposure (net) as on March 31, 2009	Provision held as at March 31, 2009	Exposure (net) as on March 31, 2008	Provision held as at March 31, 2008
	(Rupees in million)			
Insignificant	442,570.4	285.0	435,312.7	245.0
Low	172,910.8	—	167,234.5	—
Moderate	21,870.7	—	36,697.3	—
High	784.1	—	4,730.7	—
Very High	22.8	—	22.1	—
Restricted	—	—	—	—
Off-Credit	—	—	—	—
Total	638,158.8	285.0	643,997.3	245.0
— of which funded	289,482.0	—	403,791.3	—

18. Advances

The details of movement of gross NPAs, net NPAs and provisions during year ended March 31, 2009 and March 31, 2008 are given in the table below:

	Particulars	Year ended March 31, 2009	Year ended March 31, 2008
		(Rupees in million)	
i)	Net NPAs (funded) to Net Advances (%)	2.09%	1.55%
ii)	Movement of NPAs (Gross)		
	a) Opening Balance	75,795.4	41,260.6
	b) Additions during the year[1, 2]	50,637.1	36,896.6
	c) Reductions during the year[1]	(29,939.4)	(2,361.8)
	d) Closing balance	96,493.1	75,795.4
iii)	Movement of Net NPAs		
	a) Opening Balance	34,905.5	19,920.4
	b) Additions during the year[1, 2]	19,824.5	17,616.3
	c) Reductions during the year[1]	(9,190.6)	(2,631.2)
	d) Closing balance	45,539.4	34,905.5
iv)	Movement of provisions for NPAs (excluding provisions on standard assets)		
	a) Opening Balance[3]	39,432.7	20,835.9
	b) Provisions made during the year[4]	35,615.4	21,083.7
	c) Write-off/write-back of excess provisions	(24,094.4)	(2,486.9)
	d) Closing balance[3]	50,953.7	39,432.7

1. Includes cases added to and deleted from NPAs during the year ended March 31, 2009, with such gross loans amounting to Rs. 4,713.0 million and such net loans amounting to Rs. 4,066.8 million. Excludes cases added to and deleted from NPAs during the year ended March 31, 2008, with such gross loans amounting to Rs. 2,203.2 million and such net loans amounting to Rs. 1,968.6 million.
2. The difference between the opening and closing balances (other than accounts written off during the year) of NPAs in retail loans is included in additions during the year.
3. Excludes technical write-off amounting to Rs. 1,179.2 million (March 31, 2008: Rs. 6,076.1 million) and suspended interest of Rs. 1,457.2 million as on March 31, 2008.
4. The difference between the opening and closing balances (adjusted for write-off and sale of NPAs during the year) of provisions in retail loans is included in provisions made during the year.

In accordance with instructions of the Reserve Bank of India, the floating provision of Rs. 2,841.7 million held as at March 31, 2008 has been treated as a specific provision for NPAs during the year ended March 31, 2009, as the incremental specific provision on non-performing loans for the year is assessed after taking into account the cumulative specific provisions and the floating provisions held. Consequently, the floating provision held as at March 31, 2009 is Rs. Nil. The treatment of the floating provision as a specific provision does not have any impact on the profit & loss account for the year.

19. Financial assets transferred during the year to securitisation company (SC)/reconstruction company (RC)

The Bank has transferred certain assets to Asset Reconstruction Companies (ARCs) 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 trusts managed by ARCs, the security receipts are valued at their respective NAVs as advised by the ARCs. The details of the assets transferred during the year ended March 31, 2009 and March 31, 2008 are given in the table below:

		Year ended March 31, 2009	Year ended March 31, 2008
		(Rupees in million, except number of accounts)	
A	No. of accounts	18,429	18,480
B	Aggregate value (net of provisions) of accounts sold to SC/RC	6,810.7	9,344.5
C	Aggregate consideration	6,737.9	9,408.2
D	Additional consideration realised in respect of accounts transferred in earlier years[1]	—	—
E	Aggregate gain/(loss) over net book value	(72.8)	63.7

1. During the year ended March 31, 2009, ARCIL fully redeemed security receipts of three trusts. The Bank realised Rs. 27.6 million over the gross book value in respect of two trusts (March 31, 2008: Rs. Nil). The Bank also realised an additional amount of Rs. Nil over the gross book value in respect of security receipts already redeemed. Further, the Bank has realised an additional amount of Rs. Nil (March 31, 2008: Rs. 7.7 million) over the gross book value in respect of security receipts not fully redeemed as on March 31, 2009.

20. Provisions on standard assets

The Bank makes provision on standard assets as per RBI guidelines. During the period ended September 30, 2008, the Bank made proportionate additional provision on interest rate and foreign exchange derivative transaction and gold, as applicable to loan assets in the standard category, in line with RBI circular DBOD.No.BP.31/21.04.157/2008-09 dated August 8, 2008. The Bank has also adopted the revised rates for making provision on standard assets during the year ended March 31, 2009, in accordance with RBI circular no. DBOD.BP.BC.83/21.01.002/2008-09 dated November 15, 2008.

The Bank has written back Rs. 190.0 million during the year ended March 31, 2009 as compared to incremental provision of Rs. 1,590.0 million made during the year ended March 31, 2008. The Bank has not written back any standard asset provision post the aforementioned RBI circular dated November 15, 2008. The provision on standard assets held by the Bank at March 31, 2009 was Rs. 14,360.6 million (March 31, 2008: Rs. 14,550.3 million).

21. Provisions and contingencies

The break-up of 'Provisions and contingencies' included in the profit and loss account is given below:

	Year ended March 31, 2009	Year ended March 31, 2008
	(Rupees in million)	
Provisions for depreciation of investments	977.3	622.6
Provision towards non-performing assets	37,690.3	25,419.9
Provision towards standard assets	(190.0)	1,590.0
Provision towards income tax[1]	13,558.4	8,953.7
Provision towards wealth tax	30.0	30.0
Other provision and contingencies	(395.0)	1,413.3

1. Includes fringe benefit tax amounting to Rs. 342.0 million for the year ended March 31, 2009 (March 31, 2008: Rs. 392.0 million) and net deferred tax asset amounting to Rs. (4,716.7) million for the year ended March 31, 2009 (March 31, 2008: Rs. (7,133.6) million).

22. Movement in provision for credit card reward points

	Year ended March 31, 2009	Year ended March 31, 2008
	(Rupees in million)	
Opening provision for reward points	576.3	321.9
Provision for reward points made during the year	599.4	583.5
Utilisation/Write back of provision for reward points	943.7	329.1
Closing provision for reward points[1]	232.0	576.3

1. The closing provision is based on the actuarial valuation of accumulated credit card reward points. This amount will be utilised towards redemption of the credit card reward points.

23. Information in respect of restructured assets

Details of loan assets subjected to restructuring are given below:

		Year ended March 31, 2009			Year ended March 31, 2008		
		CDR Mechanism	SME Debt Restructuring	Others	CDR Mechanism	SME Debt Restructuring	Others
		(Rupees in million)					
Standard advances restructured	Number of Borrowers	1	7	937	2	—	1
	Amount outstanding	912.2	252.5	9,781.1	1,013.7	—	14,781.6
	Sacrifice (diminution in the fair value)	107.0	0.7	59.6	—	—	—
Sub standard advances restructured	Number of Borrowers	—	—	51	—	—	1
	Amount outstanding	—	—	202.1	—	—	962.1
	Sacrifice (diminution in the fair value)	—	—	0.7	—	—	—
Doubtful advances restructured	Number of Borrowers	—	—	—	—	—	—
	Amount outstanding	—	—	—	—	—	—
	Sacrifice (diminution in the fair value)	—	—	—	—	—	—
Total	Number of Borrowers	1	7	988	2	—	2
	Amount outstanding	912.2	252.5	9,983.2	1,013.7	—	15,743.7
	Sacrifice (diminution in the fair value)	107.0	0.7	60.3	—	—	—

1. The above disclosure for the year ended March 31, 2009, excludes reversal of interest income of Rs. 159.1 million on account of conversion of overdue interest into Funded Interest Term Loan (FITL) and reversal of derivative income of Rs. 1,134.5 million on account of conversion of derivative receivables into term loans.

Additional disclosure regarding restructured accounts[1]:

	Particulars	Number	Amount
		(Rupees in million)	
1.	Applications received up to March 31, 2009, for restructuring, in respect of accounts which were standard as on September 1, 2008 [2]	1,016	31,048.1
2.	Of (1), proposals approved and implemented as on March 31, 2009, which thus became eligible for special regulatory treatment and were classified as standard assets as on the date of the balance sheet	945	10,945.8
3.	Of (1), proposals approved and implemented as on March 31, 2009, but could not be upgraded to the standard category	30	68.6
4.	Of (1), proposals under process/implementation which were standard as on March 31, 2009	38	19,875.1
5.	Of (1), proposals under process/implementation which turned NPA as on March 31, 2009, but are expected to be classified as standard assets on full implementation of the package	3	158.6

1. Excludes cases where terms and conditions of the restructuring were being finalised as on March 31, 2008 and have been subsequently finalised. Also, excludes reversal of derivative income receivables proposed to be converted into term loans.
2. Includes applications for 950 accounts amounting to Rs. 2,001.2 million from various retail borrowers.

24. Details of non-performing assets purchased/sold, excluding those sold to SC/RC

The Bank has sold certain 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.

	Particulars	Year ended March 31, 2009	Year ended March 31, 2008
		(Rupees in million, except number of accounts)	
A	Number of accounts	—	12,545
B	Aggregate value (net of provisions) of accounts sold, excluding those sold to SC/RC	—	515.3
C	Aggregate consideration	—	499.4
D	Aggregate gain/(loss) over net book value	—	(15.9)

25. Fixed Assets

Fixed assets include software acquired by the Bank. The movement in software is given below:

Particulars	Year ended March 31, 2009	Year ended March 31, 2008
	(Rupees in million)	
At cost as on March 31st of preceding year	4,448.8	3,216.4
Additions during the year	818.6	1,235.4
Deductions during the year	—	(3.0)
Depreciation to date	(3,509.5)	(2,847.4)
Net block	1,757.9	1,601.4

26. Assets given on lease

Assets under finance lease

The details of finance leases are given below:

Particulars	As on March 31, 2009	As on March 31, 2008
	(Rupees in million)	
Future minimum lease receipts		
Present value of lease receipts	174.8	325.6
Unmatured finance charges	9.3	28.1
Total	184.1	353.7
Maturity profile of future minimum lease receipts		
— Not later than one year	176.4	213.3
— Later than one year and not later than five years	7.7	140.4
— Later than five years	—	—
Total	184.1	353.7

Maturity profile of present value of lease rentals

The details of maturity profile of present value of finance lease receipts are given below:

Particulars	As on March 31, 2009	As on March 31, 2008
	(Rupees in million)	
Not later than one year	167.3	193.0
Later than one year and not later than five years	7.5	132.6
Later than five years	—	—
Total	174.8	325.6

27. 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, terminations benefits and leave encashment in excess of the provision made (net of tax benefits), aggregating to Rs. 1,910.0 million has been 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. 118.0 million (March 31, 2008: Rs. 384.0 million) has been charged to revenue being the balance of proportionate amount fully amortised during the year ended March 31, 2009.

28. Provision for income tax

The provision for income tax (including deferred tax and fringe benefit tax) for the year ended March 31, 2009 amounted to Rs. 13,558.4 million (March 31, 2008: Rs. 8,953.7 million).

The Bank has a comprehensive system of maintenance of information and documents required by transfer pricing legislation under section 92-92F of the Income Tax Act, 1961. The Bank is of the opinion that all international transactions are at arm's length so that the above legislation will not have material impact on the financial statements.

29. Deferred tax

As on March 31, 2009 the Bank has recorded net deferred tax asset of Rs. 17,923.1 million (March 31, 2008: Rs. 13,233.9 million), which has been included in other assets.

The break-up of deferred tax assets and liabilities into major items is given below:

	As on March 31, 2009	As on March 31, 2008
	(Rupees in million)	
Deferred tax asset		
Provision for bad and doubtful debts	21,597.8	18,043.3
Capital loss	131.4	—
Others	1,680.3	1,409.9
Total deferred tax assets	23,409.5	19,453.2
Deferred tax liability		
Depreciation on fixed assets	5,460.1	6,220.5
Others	—	—
Total deferred tax liability	5,460.1	6,220.5
Deferred tax asset/(liability) pertaining to foreign branches	(26.3)	1.2
Total net deferred tax asset/(liability)	17,923.1	13,233.9

During the year ended March 31, 2009, 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.

30. Dividend distribution tax

For the purpose of computation of dividend distribution tax on the proposed dividend, the Bank has reduced the dividend distribution tax on dividend received from its Indian subsidiaries as per the amendment to section 115-O of the Income Tax Act, 1961 vide Finance Bill, 2008, read with Section 294 of the Income Tax Act, 1961.

31. 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 other than credit derivatives is done on a daily basis. Risk monitoring of the credit derivatives portfolio is done on a monthly 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 other than credit derivatives is reported on a daily basis. The marked to market position and VAR on the credit derivatives portfolio is reported on a monthly basis.

The use of derivatives for hedging purposes 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.

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. The premium on option contracts is accounted for as per Foreign Exchange Dealers' Association of India guidelines. Derivative transactions are covered under International Swap Dealers Association ("ISDA") master agreements with the respective counter parties. The exposure on account of derivative transactions is computed as per RBI guidelines and is marked against the credit limits approved for the respective counter parties.

Sr. No.	Particulars	As on March 31, 2009 Currency derivatives[1]	Interest rate derivatives[2]
		(Rupees in million)	
1	Derivatives (Notional principal amount)		
	a) For hedging	21,807.6	236,802.8
	b) For trading	1,190,839.4	3,270,348.6
2	Marked to market positions[3]		
	a) Asset (+)	24,141.6	3,592.7
	b) Liability (-)	—	—
3	Credit exposure[4]	156,118.5	123,036.2
4	Likely impact of one percentage change in interest rate (100*PV01)[5]		
	a) On hedging derivatives[6]	212.6	8,902.0
	b) On trading derivatives	2,446.3	1,943.3
5	Maximum and minimum of 100*PV01 observed during the year		
	a) On hedging[6]		
	Maximum	(194.2)	(7,993.6)
	Minimum	(564.4)	(11,031.3)
	b) On trading		
	Maximum	(1,813.7)	5,597.0
	Minimum	(2,710.5)	61.5

1. Options and cross currency interest rate swaps and currency futures 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 including accrued interest. Represents net positions.
4. Includes accrued interest.
5. Amounts given are absolute values on a net basis, excluding options.
6. The swap contracts entered for hedging purpose would have an opposite and offsetting impact with the underlying on-balance sheet items.

Sr. No.	Particulars	As on March 31, 2008 Currency derivatives[1]	Interest rate derivatives[2]
		(Rupees in million)	
1	Derivatives (Notional principal amount)		
	a) For hedging	27,056.3	206,265.5
	b) For trading	1,536,757.0	6,372,250.2
2	Marked to market positions [3]		
	a) Asset (+)	30,085.1	184.5
	b) Liability (-)	—	—
3	Credit exposure[4]	109,607.8	83,103.4
4	Likely impact of one percentage change in interest rate (100*PV01)[5]		
	a) On hedging derivatives[6]	559.5	8,879.2
	b) On trading derivatives	1,777.8	2,270.7
5	Maximum and minimum of 100*PV01 observed during the year		
	a) On hedging[6]		
	Maximum	(11.6)	(4,268.4)
	Minimum	(714.7)	(9,467.8)
	b) On trading		
	Maximum	(313.2)	2,809.2
	Minimum	(1,870.9)	464.9

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 including accrued interest. Represents net positions.
4. Includes accrued interest.
5. Amounts given are absolute values on a net basis, excluding options.
6. The swap contracts entered for hedging purpose would have an opposite and offsetting impact with the underlying on-balance sheet items.

The Bank deals in credit derivative instruments including credit default swaps, credit linked notes, collateralised debt obligations and principal protected structures. The notional principal amount of these credit derivatives outstanding as on March 31, 2009 was Rs. 18,411.4 million (March 31, 2008: Rs. 12,231.2 million) in funded instruments and Rs. 38,712.6 million (March 31, 2008: Rs. 50,568.5 million) in non-funded instruments which includes Rs. 253.6 million (March 31, 2008: Rs. 200.6 million) of protection bought by the Bank.

The profit and loss impact of the above portfolio on account of mark-to-market and realised loss during the year ended March 31, 2009 was a net loss of Rs. 2,754.3 million (March 31, 2008: Rs. 6,848.3 million). As on March 31, 2009, the total outstanding mark-to-market position of the above portfolio was a net loss of Rs. 4,843.9 million (March 31, 2008: Rs. 5,870.6 million). The credit derivatives are marked to market by the Bank based on counter-party valuation quotes, or internal models using inputs from market sources such as Bloomberg/Reuters, counter-parties and FIMMDA.

The Bank offers deposits to customers of its offshore branches with structured returns linked to interest, forex or equity benchmarks. The Bank covers these exposures in the inter-bank market. As on March 31, 2009, the net open position on this portfolio was Rs. Nil (March 31, 2008: Rs. 4.0 million) with mark-to-market loss of Rs. Nil (March 31, 2008: Rs. 0.1 million).

The notional principal amount of forex contracts, classified as non-trading at March 31, 2009 amounted to Rs. 205,635.1 million (March 31, 2008: Rs. 393,701.5 million). The notional principal amount of forex contracts classified as trading at March 31, 2009 amounted to Rs. 2,378,035.8 million (March 31, 2008: Rs. 2,678,010.8 million).

The net overnight open position at March 31, 2009 was Rs. 512.3 million (March 31, 2008: Rs. 2,584.5 million).

32. Forward rate agreement ("FRA")/Interest rate swaps ("IRS")

The details of the forward rate agreements/interest rate swaps are given below:

	Particulars	As on March 31, 2009	As on March 31, 2008
		(Rupees in million)	
i)	The notional principal of rupee swap agreements	1,942,528.9	5,618,122.6
ii)	Losses which would be incurred if all counter parties failed to fulfil their obligations under the agreement	35,591.8[1]	37,181.6
iii)	Collateral required by the Bank upon entering into swaps	—	—
iv)	Concentration of credit risk arising from the rupee swaps[2]	919.7	307.5
v)	The fair value of rupee trading swap book[3]	622.1	(120.9)

1. For trading portfolio both mark-to-market and accrued interest have been considered and for hedging portfolio, only accrued interest has been considered.

2. Credit risk concentration is measured as the highest net receivable under swap contracts from a particular counter-party.

3. Fair value represents mark-to-market including accrued interest.

33. Exchange traded interest rate derivatives

The details of exchange traded interest rate derivatives are given below:

Particulars	As on March 31, 2009	As on March 31, 2008
	(Rupees in million)	
i) Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise)		
a) Euro dollar futures	—	—
b) Treasury note futures — 10 years	7,608.0	7,021.0
c) Treasury note futures — 5 years	—	4,557.6
d) Treasury note futures — 2 years	6,390.7	1,380.1
ii) Notional principal amount of exchange traded interest rate derivatives outstanding (instrument-wise)		
a) Euro dollar futures	—	—
b) Treasury note futures — 10 years	—	—
c) Treasury note futures — 5 years	—	—
d) Treasury note futures — 2 years	—	—
iii) Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective " (instrument-wise)	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

1. All the transactions in exchange traded interest rate derivatives have been entered into by foreign branches for trading portfolios.

34. Penalties/fines imposed by RBI and other banking regulatory bodies

There were no penalties imposed by RBI during the year ended March 31, 2009 (March 31, 2008: Rs. Nil).

Central Bank of Sri Lanka (CBSL) has imposed penalty of LKR 865 (Rs. 400) during the year ended March 31, 2009, on Sri Lanka Branch for breach on the maintenance of the Statutory Reserve Requirement (SRR).

35. Small and micro industries

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments.

36. Farm loan waiver

The Ministry of Finance, Government of India has issued guidelines for the implementation of the Agriculture debt waiver and relief scheme for farmers on May 23, 2008. The Bank has implemented the scheme as per guidelines issued by RBI vide circular no. DBOD No. BP.BC.26/21.04.048/2008-09 dated July 30, 2008 on "Agricultural Debt Waiver and Debt Relief Scheme, 2008 - Prudential norms on income recognition, asset classification and provisioning and Capital Adequacy".

Pursuant to the scheme an aggregate amount of Rs. 2,666.7 million has been waived which is recoverable from Government of India. Of the above, an amount of Rs. 773.0 million has been received by March 31, 2009 and balance of Rs. 1,893.7 million is receivable in future.

37. Disclosure of complaints

The movement of the outstanding numbers of complaints is given below:

	Particulars	Year ended March 31, 2009	Year ended March 31, 2008
a)	Number of complaints pending at the beginning of the year	1,863	579
b)	Number of complaints received during the year	102,488	185,431
c)	Number of complaints redressed during the year	103,465	184,147
d)	Number of complaints pending at the end of the year	886[2]	1,863

1. From April, 2008, complaints resolved within 1 working day are not included.
2. Complaints pending beyond 30 days as on March 31, 2009, are 31.

The details of awards during the year are given below:

	Particulars	Year ended March 31, 2009	Year ended March 31, 2008
a)	Number of unimplemented awards at the beginning of the year	1	4
b)	Number of awards passed by the Banking Ombudsmen during the year	—	7
c)	Number of awards implemented during the year	1	6
d)	Number of unimplemented awards at the end of the year	—	1

38. Comparative figures

Figures for the previous year have been regrouped wherever necessary, to conform to the current year's presentation.

SIGNATURES TO SCHEDULES 1 TO 19

For and on behalf of the Board of Directors

N. Vaghul
Chairman

K. V. Kamath
Managing Director & CEO

Chanda D. Kochhar
Joint Managing Director & CFO

V. Vaidyanathan
Executive Director

Sonjoy Chatterjee
Executive Director

K. Ramkumar
Executive Director

Sandeep Batra
Group Compliance Officer &
Company Secretary

Rakesh Jha
Deputy Chief Financial Officer

Place: Mumbai
Date: April 25, 2009

To the Members of ICICI Bank Ltd

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 March 31, 2008 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date, both 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 are the returns of the Singapore and Bahrain branches, audited by another auditor.

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. We did not audit the financial statements of the Singapore and Bahrain branches of the Bank, whose financial statements reflect total assets of Rs. 563,636.6 million as at March 31, 2008, total revenues of Rs. 33,481.8 million and cash flows amounting to Rs. 5,946.0 million for the year then ended. These financial statements have been audited by another auditor, duly qualified to act as auditors in the country of incorporation of the branch, whose report has been furnished to us, and was relied upon by us for our opinion on the financial statements of the Bank.

4. 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.

5. We report that:

   (i) 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;

   (ii) the transactions of the Bank, which have come to our notice, have been within the powers of the Bank;

   (iii) the returns received from the offices and branches of the Bank have been found adequate for the purposes of our audit.

6. In our opinion, the Balance Sheet, the Profit and Loss Account and the 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, 1956, to the extent they are not inconsistent with the accounting polices prescribed by the Reserve Bank of India.

7. We further report that:

   (i) the Balance Sheet, Profit and Loss Account and cash flow statement dealt with by this report are in agreement with the books of account and the returns;

   (ii) 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;

   (iii) the reports on the accounts of the Singapore and Bahrain branches audited by another auditor have been dealt with in preparing our report in the manner considered necessary by us;

   (iv) 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;

   (v) on the basis of written representations received from the directors, as on March 31, 2008, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

8. In our opinion and to the best of our information and according to the explanations given to us and on consideration of report submitted by the Singapore and Bahrain branch auditors, 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:

   (i) in the case of the Balance Sheet, of the state of affairs of the Bank as at March 31, 2008;

   (ii) in the case of the Profit and Loss Account, of the profit of the Bank for the year ended on that date; and

   (iii) in the case of the Cash Flow Statement, of the cash flows of the Bank for the year ended on that date.

for BSR & Co.
Chartered Accountants

Akeel Master Partner
Membership No.: 046768

Mumbai
April 26, 2008

Unconsolidated Balance Sheet as on March 31, 2008

	Schedule	As on 31.03.2008	As on 31.03.2007
		(Rupees in '000s)	
CAPITAL AND LIABILITIES			
Capital	1	14,626,786	12,493,437
Reserves and surplus	2	453,575,309	234,139,207
Deposits	3	2,444,310,502	2,305,101,863
Borrowings	4	656,484,338	512,560,263
Other liabilities and provisions	5	428,953,827	382,286,356
TOTAL CAPITAL AND LIABILITIES		**3,997,950,762**	**3,446,581,126**
ASSETS			
Cash and balances with Reserve Bank of India	6	293,775,337	187,068,794
Balances with banks and money at call and short notice	7	86,635,952	184,144,452
Investments	8	1,114,543,415	912,578,418
Advances	9	2,256,160,827	1,958,655,996
Fixed assets	10	41,088,975	39,234,232
Other assets	11	205,746,256	164,899,234
TOTAL ASSETS		**3,997,950,762**	**3,446,581,126**
Contingent liabilities	12	11,513,490,113	5,629,599,060
Bills for collection		42,782,842	40,465,610
Significant accounting policies and notes to accounts	18 & 19		

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

N. Vaghul
Chairman

K. V. Kamath
Managing Director & CEO

Chanda D. Kochhar
Joint Managing Director & CFO

Akeel Master
Partner
Membership No.: 046768

V. Vaidyanathan
Executive Director

Madhabi Puri Buch
Executive Director

Sonjoy Chatterjee
Executive Director

Sandeep Batra
Group Compliance Officer & Company Secretary

Rakesh Jha
Deputy Chief Financial Officer

Charanjit Attra
General Manager & Chief Accountant

Mumbai
April 26, 2008

Unconsolidated Profit and Loss Account for the year ended March 31, 2008

	Schedule	Year ended 31.03.2008	Year ended 31.03.2007
		(Rupees in '000s)	
I. INCOME			
Interest earned	13	307,883,429	219,955,876
Other income	14	88,107,628	69,278,726
TOTAL INCOME		**395,991,057**	**289,234,602**
II. EXPENDITURE			
Interest expended	15	234,842,423	163,584,984
Operating expenses	16	81,541,819	66,905,564
Provisions and contingencies	17	38,029,536	27,641,854
TOTAL EXPENDITURE		**354,413,778**	**258,132,402**
III. PROFIT/LOSS			
Net profit for the year		41,577,279	31,102,200
Profit brought forward		9,982,741	2,934,416
TOTAL PROFIT/(LOSS)		**51,560,020**	**34,036,616**
IV. APPROPRIATIONS/TRANSFERS			
Transfer to Statutory Reserve		10,400,000	7,800,000
Transfer to Reserve Fund		3,138	1,168
Transfer to Capital Reserve		1,270,000	1,210,000
Transfer to Special Reserve		1,750,000	4,500,000
Proposed equity share dividend		12,277,018	9,011,694
Proposed preference share dividend		35	35
Corporate dividend tax		1,496,670	1,530,978
Balance carried over to balance sheet		24,363,159	9,982,741
TOTAL		**51,560,020**	**34,036,616**
Significant accounting policies and notes to accounts	18 & 19		
Earning per share (Refer note 19.6)			
Basic (Rs.)		**39.39**	**34.84**
Diluted (Rs.)		**39.15**	**34.64**
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 BSR & Co.
Chartered Accountants

N. Vaghul
Chairman

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Managing Director & CEO

Chanda D. Kochhar
Joint Managing Director & CFO

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Deputy Chief Financial Officer

Charanjit Attra
General Manager & Chief Accountant

Mumbai
April 26, 2008

Unconsolidated Cash Flow Statement for the year ended March 31, 2008

PARTICULARS	Year ended 31.03.2008	Year ended 31.03.2007
	(Rupees in '000s)	
Cash flow from operating activities		
Net profit before taxes	50,560,977	36,480,391
Adjustments for:		
Depreciation and amortisation	7,711,011	7,639,002
Net (appreciation)/depreciation on investments	10,279,608	9,918,419
Provision in respect of non-performing assets (including prudential provision on standard assets)	27,009,924	21,592,999
Provision for contingencies & others	1,413,354	251,311
Income from subsidiaries, joint ventures and consolidated entities	(12,783,599)	(4,484,915)
(Profit)/Loss on sale of fixed assets	(656,069)	(1,152,224)
	83,535,206	**70,244,982**
Adjustments for:		
(Increase)/decrease in investments	(25,015,908)	(19,666,157)
(Increase)/decrease in advances	(320,850,355)	(511,255,267)
Increase/(decrease) in borrowings	43,122,293	57,039,927
Increase/(decrease) in deposits	126,079,339	654,270,149
(Increase)/decrease in other assets	(27,149,533)	(28,758,999)
Increase/(decrease) in other liabilities and provisions	22,330,716	26,886,199
	(181,483,448)	**178,515,852**
Refund/(payment) of direct taxes	(18,363,292)	(18,141,312)
Net cash generated from operating activities (A)	**(116,311,534)**	**230,619,522**
Cash flow from investing activities		
Investments in subsidiaries and/or joint ventures (including application money)	(44,379,917)	(15,758,166)
Income from subsidiaries, joint ventures and consolidated entities	12,783,799	4,484,915
Purchase of fixed assets	(9,592,487)	(4,924,623)
Proceeds from sale of fixed assets	1,064,035	4,347,300
(Purchase)/sale of held to maturity securities	(135,486,579)	(171,776,134)
Net cash generated from investing activities (B)	**(175,611,149)**	**(183,626,708)**
Cash flow from financing activities		
Proceeds from issue of share capital (including ESOPs) net of issue expenses	197,897,060	2,074,414
Net proceeds/(repayment) of bonds (including subordinated debt)	112,316,167	160,717,380
Dividend and dividend tax paid	(10,565,000)	(8,646,021)
Net cash generated from financing activities (C)	**299,648,227**	**154,145,774**
Effect of exchange fluctuation on translation reserve (D)	**(890,065)**	**(327,587)**
Net cash and cash equivalents taken over from Sangli Bank Ltd on amalgamation (E)	**2,362,563**	**—**
Net increase/(decrease) in cash and cash equivalents (A) + (B) + (C) + (D) +(E)	**9,198,042**	**200,811,001**
Cash and cash equivalents at April 1	**371,213,247**	**170,402,245**
Cash and cash equivalents at March 31	**380,411,289**	**371,213,247**

Significant accounting policies and notes to accounts (refer Schedule 18 and 19)

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

N. Vaghul
Chairman

K. V. Kamath
Managing Director & CEO

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Executive Director

Sandeep Batra
Group Compliance Officer & Company Secretary

Rakesh Jha
Deputy Chief Financial Officer

Charanjit Attra
General Manager & Chief Accountant

Place: Mumbai
Date: April 26, 2008

	As on 31.03.2008	As on 31.03.2007
	(Rupees in '000s)	
SCHEDULE 1 — CAPITAL		
Authorised capital		
1,275,000,000 equity shares of Rs. 10 each [March 31, 2007: 1,000,000,000 equity shares of Rs. 10 each]	12,750,000	10,000,000
15,000,000 shares of Rs. 100 each [March 31, 2007: 55,000,000 preference shares of Rs. 100 each] [1]	1,500,000	5,500,000
350 preference shares of Rs. 10 million each [March 31, 2007: 350 preference shares of Rs. 10 million each]	3,500,000	3,500,000
Equity share capital		
Issued, subscribed and paid-up capital		
899,266,672 equity shares of Rs. 10 each (March 31, 2007: 889,779,621 equity shares)	8,992,667	8,897,796
Add: 3,455,008 equity shares of Rs. 10 each fully paid up issued to shareholders of erstwhile Sangli Bank Limited	34,550	—
Add: 108,598,626 equity shares of Rs. 10 each fully paid up issued vide prospectus dated June 26, 2007 (includes 13,762,869 shares issued under green shoe option)	1,085,986	—
Add: 99,898,476 equity shares of Rs. 10 each fully paid up underlying 49,949,238 American Depository Shares (ADSs) issued vide prospectus dated June 23, 2007 (includes 6,497,462 ADSs issued under green shoe option)	998,985	—
Add: 1,468,713 equity shares of Rs. 10 each fully paid up (March 31, 2007: 9,487,051 equity shares) issued pursuant to exercise of employee stock options	14,687	94,871
	11,126,875	8,992,667
Less: Calls unpaid	859	—
Add: 111,603 equity shares forfeited (March 31, 2007: 111,603 equity shares)	770	770
TOTAL EQUITY CAPITAL	**11,126,786**	**8,993,437**
Preference share capital		
[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	**14,626,786**	**12,493,437**

1. These shares will be of such class and with such rights, privileges, conditions or restrictions as may be determined by the Bank in accordance with the Articles of Association of the Bank and subject to the legislative provisions for the time being in that behalf.

Schedules forming part of the Balance Sheet

	As on 31.03.2008	As on 31.03.2007
	(Rupees in '000s)	
SCHEDULE 2 — RESERVES AND SURPLUS		
I. Statutory reserve		
Opening balance	28,787,307	20,987,307
Additions during the year [includes Rs. 206.5 million on amalgamation]	10,606,500	7,800,000
Deductions during the year	—	—
Closing balance	39,393,807	28,787,307
II. Special reserve		
Opening balance	19,190,000	14,690,000
Additions during the year	1,750,000	4,500,000
Deductions during the year	—	—
Closing balance	20,940,000	19,190,000
III. Securities premium		
Opening balance	120,154,919	118,175,597
Additions during the year [1]	197,644,847	1,979,322
Deductions during the year [2]	5,328,736	—
Closing balance	312,471,030	120,154,919
IV. Capital reserve		
Opening balance	6,740,000	5,530,000
Additions during the year	1,270,000	1,210,000
Deductions during the year	—	—
Closing balance	8,010,000	6,740,000
V. Foreign currency translation reserve	(1,391,262)	(501,197)
VI. Reserve fund		
Opening balance	1,390	222
Additions during the year [3]	3,138	1,168
Deductions during the year	—	—
Closing balance	4,528	1,390
VII. Revenue and other reserves		
Opening balance	49,784,047	50,840,074
Additions during the year	—	—
Deductions during the year [4]	—	1,056,027
Closing balance	49,784,047	49,784,047
VIII. Balance in profit and loss account	24,363,159	9,982,741
TOTAL RESERVES AND SURPLUS	**453,575,309**	**234,139,207**

1. Includes:-
   a) Rs. 86,065.6 million (net of share premium in arrears of Rs. 486.1 million) consequent to public issue vide prospectus dated June 26, 2007.
   b) Rs. 98,237.4 million consequent to issue of ADSs (including green shoe options exercised) vide prospectus dated June 23, 2007.
   c) Rs. 12,799.5 million on exercise of the green shoe option vide prospectus dated June 26, 2007.
   d) Rs. 542.3 million (March 31, 2007: Rs. 1,901.9 million) on exercise of employee stock options.
2. Represents:-
   a) Rs. 3,482.2 million being the excess of the paid-up value of the shares issued to the shareholders of The Sangli Bank Limited over the fair value of the net assets acquired on merger and amalgamation expenses as per the scheme of amalgamation.
   b) Rs. 1,846.6 million being the share issue expenses, written-off from the securities premium account as per the objects of the issue.
3. Represents appropriation of 5% of net profit by Sri Lanka branch to meet the requirements of Section 20 of Sri Lankan Banking Act No 30 of 1988.
4. 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, for the year ended March 31, 2007.

	As on 31.03.2008	As on 31.03.2007
	(Rupees in ’000s)	
SCHEDULE 3 — DEPOSITS		
A. I. Demand deposits		
i) From banks	5,018,339	4,648,856
ii) From others	241,894,532	209,107,605
II. Savings bank deposits	390,893,090	288,387,894
III. Term deposits		
i) From banks	125,024,337	145,787,927
ii) From others	1,681,480,204	1,657,169,581
TOTAL DEPOSITS	**2,444,310,502**	**2,305,101,863**
B. I. Deposits of branches in India	2,372,239,318	2,217,017,644
II. Deposits of branches outside India	72,071,184	88,084,219
TOTAL DEPOSITS	**2,444,310,502**	**2,305,101,863**

	As on 31.03.2008	As on 31.03.2007
	(Rupees in ’000s)	
SCHEDULE 4 — BORROWINGS		
I. Borrowings in India		
i) Reserve Bank of India	—	—
ii) Other banks	32,105,635	42,668,594
iii) Other institutions and agencies		
a) Government of India	1,592,480	2,171,867
b) Financial institutions	27,541,146	36,708,119
iv) Borrowings in the form of		
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	6,545,648	6,784,799
Bonds issued under multiple option/safety bonds series		
- Regular interest bonds	5,393,095	5,566,170
- Deep discount bonds	4,401,234	4,564,511
- Encash bonds	—	56,015
- Tax saving bonds	17,376,227	20,779,673
- Pension bonds	61,722	61,626
TOTAL BORROWINGS IN INDIA	**109,832,187**	**134,176,374**
II. Borrowings outside India		
i) From multilateral/bilateral credit agencies guaranteed by the Government of India for the equivalent of Rs. 18,402.9 million at March 31, 2008 (March 31, 2007: Rs. 19,151.7 million)	20,966,276	22,701,869
ii) From international banks, institutions and consortiums	241,652,121	177,126,582
iii) By way of bonds and notes	283,229,410	178,353,872
iv) Other borrowings	804,344	201,566
TOTAL BORROWINGS OUTSIDE INDIA	**546,652,151**	**378,383,889**
TOTAL BORROWINGS	**656,484,338**	**512,560,263**

Secured borrowings in I and II above is Rs. Nil.

Schedules forming part of the Balance Sheet

	As on 31.03.2008	As on 31.03.2007
	(Rupees in '000s)	
SCHEDULE 5 — OTHER LIABILITIES AND PROVISIONS		
I. Bills payable	29,007,972	42,337,867
II. Inter-office adjustments (net)	4,293,542	—
III. Interest accrued	25,968,705	20,408,669
IV. Unsecured redeemable/perpetual debentures/bonds [Subordinated debt included in Tier I and Tier II Capital]	207,501,787	194,051,111
V. Others		
a) Security deposits from clients	15,197,638	4,691,762
b) Sundry creditors	74,101,312	68,115,421
c) Received for disbursements under special program	2,034,281	1,896,661
d) Provision for standard assets	14,550,250	12,948,250
e) Other liabilities [1]	56,298,340	37,836,615
TOTAL OTHER LIABILITIES AND PROVISIONS	**428,953,827**	**382,286,356**

1. Includes:
   a) Proposed dividend of Rs. 12,239.6 million [March 31, 2007: Rs. 8,992.7 million].
   b) Corporate dividend tax payable of Rs. 1,490.3 million [March 31, 2007: Rs. 1,528.3 million].

	As on 31.03.2008	As on 31.03.2007
	(Rupees in '000s)	
SCHEDULE 6 — CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand (including foreign currency notes)	28,478,239	20,669,585
II. Balances with Reserve Bank of India in current accounts	265,297,098	166,399,209
TOTAL CASH AND BALANCES WITH RESERVE BANK OF INDIA	**293,775,337**	**187,068,794**

	As on 31.03.2008	As on 31.03.2007
	(Rupees in '000s)	
SCHEDULE 7 — BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
i) Balances with banks		
a) In current accounts	8,705,555	7,778,635
b) In other deposit accounts	3,343,519	12,583,020
ii) Money at call and short notice		
a) With banks	—	1,000,000
b) With other institutions	—	—
TOTAL	**12,049,074**	**21,361,655**
II. Outside India		
i) In current accounts	16,473,903	15,930,529
ii) In other deposit accounts	31,635,362	114,269,004
iii) Money at call and short notice	26,477,613	32,583,264
TOTAL	**74,586,878**	**162,782,797**
TOTAL BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE	**86,635,952**	**184,144,452**

	As on 31.03.2008	As on 31.03.2007
	(Rupees in '000s)	
SCHEDULE 8 — INVESTMENTS		
I. Investments in India [net of provisions]		
i) Government securities	753,777,483	673,681,742
ii) Other approved securities	97,946	601
iii) Shares (includes equity and preference shares)	29,200,790	19,372,558
iv) Debentures and bonds	18,871,649	24,628,194
v) Subsidiaries and/or joint ventures	46,382,774	26,071,831
vi) Others (commercial paper, mutual fund units, pass through certificates, security receipts etc.)	202,833,016	123,785,241
TOTAL INVESTMENTS IN INDIA	**1,051,163,658**	**867,540,167**
II. Investments outside India [net of provisions]		
i) Government securities	1,402,546	2,965,737
ii) Subsidiaries and/or joint ventures abroad (includes equity and preference shares)	38,719,449	14,650,476
iii) Others	23,257,762	27,422,038
TOTAL INVESTMENTS OUTSIDE INDIA	**63,379,757**	**45,038,251**
TOTAL INVESTMENTS	**1,114,543,415**	**912,578,418**
III. Investments in India		
Gross value of investments	1,056,883,463	873,108,274
Less: aggregate of provision/depreciation	5,719,805	5,568,107
Net investments	**1,051,163,658**	**867,540,167**
IV. Investments outside India		
Gross value of investments	64,358,489	45,052,750
Less: aggregate of provision/depreciation	978,732	14,499
Net investments	**63,379,757**	**45,038,251**
TOTAL INVESTMENTS	**1,114,543,415**	**912,578,418**

Schedules forming part of the Balance Sheet

	As on 31.03.2008	As on 31.03.2007
	(Rupees in '000s)	
SCHEDULE 9 — ADVANCES [net of provisions]		
A. i) Bills purchased and discounted	46,763,159	44,947,460
ii) Cash credits, overdrafts and loans repayable on demand	348,051,840	328,642,181
iii) Term loans	1,755,794,419	1,512,550,418
iv) Securitisation, finance lease and hire purchase receivables [1]	105,551,409	72,515,937
TOTAL ADVANCES	**2,256,160,827**	**1,958,655,996**
B. i) Secured by tangible assets [includes advances against book debts]	1,693,135,659	1,528,133,832
ii) Covered by bank/government guarantees	42,087,202	34,195,829
iii) Unsecured	520,937,966	396,326,335
TOTAL ADVANCES	**2,256,160,827**	**1,958,655,996**
C. I. Advances in India		
i) Priority sector	597,325,197	552,772,378
ii) Public sector	3,559,887	4,017,005
iii) Banks	45,947	906,063
iv) Others	1,177,773,278	1,156,860,404
TOTAL ADVANCES IN INDIA	**1,778,704,309**	**1,714,555,850**
II. Advances outside India		
i) Due from banks	41,225,542	30,027,302
ii) Due from others		
a) Bills purchased and discounted	19,965,470	22,000,550
b) Commercial loans	271,379,347	146,579,129
c) Others	144,886,159	45,493,165
TOTAL ADVANCES OUTSIDE INDIA	**477,456,518**	**244,100,146**
TOTAL ADVANCES	**2,256,160,827**	**1,958,655,996**

1. Includes receivables under lease amounting to Rs. 349.2 million (March 31, 2007 : Rs. 577.9 million).

Schedules forming part of the Balance Sheet

	As on 31.03.2008	As on 31.03.2007
	(Rupees in '000s)	
SCHEDULE 10 — FIXED ASSETS		
I. Premises		
At cost as on March 31 of preceding year	20,496,202	20,199,439
Additions during the year	2,719,704	1,186,105
Deductions during the year	(272,987)	(889,342)
Depreciation to date	(3,326,017)	(2,608,478)
Net block	**19,616,902**	**17,887,724**
II. Other fixed assets (including furniture and fixtures)		
At cost as on March 31 of preceding year	24,352,894	20,531,892
Additions during the year	5,588,730	4,469,584
Deductions during the year	(603,577)	(648,582)
Depreciation to date	(15,836,691)	(13,038,759)
Net block	**13,501,356**	**11,314,135**
III. Assets given on lease		
At cost as on March 31 of preceding year	18,136,532	18,954,323
Additions during the year	—	—
Deductions during the year	(57,460)	(817,791)
Depreciation to date, accumulated lease adjustment and provisions	(10,108,355)	(8,104,159)
Net block	**7,970,717**	**10,032,373**
TOTAL FIXED ASSETS	**41,088,975**	**39,234,232**

	As on 31.03.2008	As on 31.03.2007
	(Rupees in '000s)	
SCHEDULE 11 — OTHER ASSETS		
I. Inter-office adjustments (net)	—	3,762,923
II. Interest accrued	34,867,173	29,417,095
III. Tax paid in advance/tax deducted at source (net)	40,660,994	37,661,011
IV. Stationery and stamps	574	1,552
V. Non-banking assets acquired in satisfaction of claims [1]	3,658,544	3,536,564
VI. Others		
a) Advance for capital assets	6,404,148	1,896,627
b) Outstanding fees and other income	5,772,850	4,204,860
c) Swap suspense	—	168,266
d) Deposits	27,606,644	31,538,890
e) Deferred tax asset (net)	13,233,940	6,099,534
f) Early retirement option expenses not written off	117,979	501,979
g) Others	73,423,410	46,109,933
TOTAL OTHER ASSETS	**205,746,256**	**164,899,234**

1. Includes certain non-banking assets acquired in satisfaction of claims which are in the process of being transferred in the Bank's name.

Schedules forming part of the Balance Sheet

	As on 31.03.2008	As on 31.03.2007
	(Rupees in '000s)	
SCHEDULE 12 — CONTINGENT LIABILITIES		
I. Claims against the Bank not acknowledged as debts	40,306,033	39,115,895
II. Liability for partly paid investments	128,126	168,472
III. Liability on account of outstanding forward exchange contracts	3,071,712,304	1,331,560,415
IV. Guarantees given on behalf of constituents		
a) In India	338,313,547	241,625,310
b) Outside India	74,501,645	50,493,774
V. Acceptances, endorsements and other obligations	250,992,610	186,706,710
VI. Currency swaps	477,039,283	325,260,384
VII. Interest rate swaps, currency options and interest rate futures [1]	7,067,956,457	3,346,921,704
VIII. Other items for which the Bank is contingently liable	192,540,108	107,746,396
TOTAL CONTINGENT LIABILITIES	**11,513,490,113**	**5,629,599,060**

1. Excludes notional amount of options sold amounting to Rs. 597,333.2 million (March 31, 2007 :Rs. 444,221.2 million).

Schedules forming part of the Profit and Loss Account

	Year ended 31.03.2008	Year ended 31.03.2007
	(Rupees in '000s)	
SCHEDULE 13 — INTEREST EARNED		
I. Interest/discount on advances/bills	226,009,874	160,963,126
II. Income on investments [1]	74,660,091	49,898,395
III. Interest on balances with Reserve Bank of India and other inter-bank funds	6,119,944	8,085,554
IV. Others [2]	1,093,520	1,008,801
TOTAL INTEREST EARNED	**307,883,429**	**219,955,876**

1. Includes amortisation of premium on Government securities of Rs. 8,976.2 million (March 31, 2007: Rs. 9,987.0 million).
2. Includes interest on income tax refunds of Rs. 871.0 million (March 31, 2007: Rs. 1,022.7 million).

	Year ended 31.03.2008	Year ended 31.03.2007
	(Rupees in '000s)	
SCHEDULE 14 — OTHER INCOME		
I. Commission, exchange and brokerage	56,053,127	43,308,555
II. Profit/(loss) on sale of investments (net)	18,802,235	11,152,403
III. Profit/(loss) on revaluation of investments (net)	(680,855)	(350,732)
IV. Profit/(loss) on sale of land, buildings and other assets (net) [1]	656,069	1,152,224
V. Profit/(loss) on foreign exchange transactions (net)	1,101,719	6,439,626
VI. Income earned by way of dividends, etc. from subsidiary companies and/or joint ventures abroad/in India	11,519,500	4,484,915
VII. Miscellaneous income (including lease income) [2]	655,833	3,091,735
TOTAL OTHER INCOME	**88,107,628**	**69,278,726**

1. Includes profit/(loss) on sale of assets given on lease.
2. Includes unrealised gains/(losses) on rupee interest rate derivatives.

	Year ended 31.03.2008	Year ended 31.03.2007
	(Rupees in '000s)	
SCHEDULE 15 — INTEREST EXPENDED		
I. Interest on deposits	171,102,433	116,477,051
II. Interest on Reserve Bank of India/inter-bank borrowings [1]	18,269,621	13,001,023
III. Others (including interest on borrowings of erstwhile ICICI Limited)	45,470,369	34,106,910
TOTAL INTEREST EXPENDED	**234,842,423**	**163,584,984**

1. Includes interest paid on inter-bank deposits.

Schedules forming part of the Profit and Loss Account

	Year ended 31.03.2008	Year ended 31.03.2007
	(Rupees in '000s)	
SCHEDULE 16 — OPERATING EXPENSES		
I. Payments to and provisions for employees	20,788,974	16,167,490
II. Rent, taxes and lighting	5,166,414	3,108,152
III. Printing and stationery	1,742,100	1,524,660
IV. Advertisement and publicity	2,078,608	2,177,368
V. Depreciation on Bank's property (including non-banking assets)	3,962,822	3,565,076
VI. Depreciation (including lease equalisation) on leased assets	1,820,689	1,882,750
VII. Directors' fees, allowances and expenses	4,190	3,849
VIII. Auditors' fees and expenses	23,034	21,203
IX. Law charges	453,673	284,800
X. Postages, telegrams, telephones, etc.	3,305,702	2,925,819
XI. Repairs and maintenance	4,198,727	3,369,533
XII. Insurance	2,249,540	1,688,971
XIII. Direct marketing agency expenses	15,427,433	15,238,964
XIV. Other expenditure	20,319,913	14,946,929
TOTAL OPERATING EXPENSES	**81,541,819**	**66,905,564**

	Year ended 31.03.2008	Year ended 31.03.2007
	(Rupees in '000s)	
SCHEDULE 17 — PROVISIONS AND CONTINGENCIES		
I. Income tax		
- Current period tax	15,695,283	9,443,237
- Deferred tax adjustment	(7,133,600)	(4,464,322)
- Fringe benefit tax	392,015	369,276
II. Wealth tax	30,000	30,000
III. Provision for investments (including credit substitutes) (net)	622,560	419,353
IV. Provision for advances (net) [1]	27,009,924	21,592,999
V. Others	1,413,354	251,311
TOTAL PROVISIONS AND CONTINGENCIES	**38,029,536**	**27,641,854**

1. Includes provisions on standard assets, non-performing advances, non-performing leased assets and others.

SCHEDULE 18 — SIGNIFICANT ACCOUNTING POLICIES

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 in India ("Indian GAAP"), the guidelines issued by Reserve Bank of India ("RBI") from time to time and practices generally prevalent in 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.

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 income recognition and asset classification 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.

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. Loan processing fee is accounted for upfront when it becomes due.

g. Project appraisal/structuring fee is accounted for at the completion of the agreed service.

h. Arranger fee is accounted for as income when a significant portion of the arrangement/syndication is completed.

i. Commission received on guarantees issued is amortised on a straight-line basis over the period of the guarantee.

j. All other fees are accounted for as and when they become due.

k. Net income arising from sell-down/securitisation of loan assets prior to February 1, 2006 has been recognised upfront as 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 with recourse obligation is amortised over the life of underlying assets sold and net income from sale of loan assets through direct assignment, without any recourse obligation, is recognised at the time of sale.

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' 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 fixed rate and floating rate securities acquired is amortised over the remaining period to maturity on a constant yield basis and straight line basis respectively.

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, classified as 'Available for Sale', is amortised over the remaining period to maturity on constant yield basis. Quoted investments are valued based on the trades/quotes on the recognised stock exchanges, subsidiary general ledger account transactions, price list of RBI or prices declared by Primary Dealers Association of India jointly with Fixed Income Money Market and Derivatives Association, periodically.

   The market/fair value of unquoted government securities which are in the nature of "SLR" securities included in the 'Available for Sale' and 'Held for Trading' categories is as per the rates published by Fixed Income Money Market and Derivatives Association. The valuation of other unquoted fixed income securities 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 Fixed Income Money Market and Derivatives Association.

   Unquoted equity shares are valued at the break-up value, if the latest balance sheet is available, or at Re. 1, as per RBI guidelines.

   Securities are valued scrip-wise and depreciation/appreciation is 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. Equity 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 such instruments, prescribed by RBI from time to time. Accordingly, in cases where the cash flows from 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 obtained from the asset reconstruction company from time to time, for valuation of such investments at each reporting 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 the unsecured portion of doubtful assets are provided/written off as per the extant RBI guidelines. Provisions on homogeneous retail loans, subject to minimum provisioning requirements of RBI, are assessed at a portfolio level on the basis of days past due. The Bank holds specific provisions against non-performing loans, general provision against performing loans and floating provisions. The assessment of incremental specific provisions is made after taking into consideration all of the above. The specific provisions on retail loans held by the Bank are higher than the minimum regulatory requirements.

b. For restructured/rescheduled assets, provision is made in accordance with the guidelines issued by RBI, which requires a provision equal to the present value of the interest sacrifice to be made 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 to "standard" category 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 exposures (other than for home country exposure). The countries are categorised into seven risk categories namely insignificant, low, moderate, high, very high, restricted and off-credit and provisioning is made on exposures exceeding 180 days on a graded scale ranging from 0.25% to 100%. For exposures with contractual maturity of less than 180 days, 25% of the above 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 required 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 are accounted for only if the Bank surrenders the rights to benefits specified in the loan contract. Recourse and servicing obligations are accounted for net of provisions.

In accordance with the RBI guidelines, with effect from February 1, 2006, the Bank accounts for any loss arising from securitisation immediately at the time of sale and the profit/premium arising from securitisation is amortised over the life of the securities issued or to be issued by the special purpose vehicle to which the assets are sold. In the case of loans sold to an asset reconstruction company the gain, if any, is ignored.

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	12.50%
Furniture and fixtures	15.00%
Motor vehicles	20.00%
Others (including Software and system development expenses)	25.00%

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 upto Rs. 5,000/- are depreciated fully over a period of 12 months from the date of purchase.

6. Transactions involving foreign exchange

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 rates, and income and expenditure of non-integral foreign operations (foreign branches and offshore banking units) are translated at quarterly average closing rates.

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 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 Foreign Exchange Dealers' Association of India 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 Foreign Exchange Dealers' Association of India for specified maturities and at interpolated rates for contracts of interim 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 Foreign Exchange Dealers' Association of India 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, credit default swaps and cross currency interest rate swaps.

The swap contracts entered to hedge on-balance sheet assets and liabilities are structured such 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 are accounted for on an accrual basis.

Foreign currency and rupee derivative contracts entered into 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")

The Employees Stock Option Scheme ("the Scheme") provides for grant of equity shares of the Bank to wholetime directors and employees of the Bank and its subsidiaries. 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 as the excess, if any, of the fair market price of the underlying stock over the exercise price on the grant date. 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 price of the Bank's stock options are equal to fair market price on the grant date, there is no compensation cost under the intrinsic value method.

The Finance Act, 2007 introduced Fringe Benefit Tax ("FBT") on employee stock options. The FBT liability crystallises on the date of exercise of stock options by employees and is computed based on the difference between fair market value on date of vesting and the exercise price. FBT is recovered from employees as per the Scheme.

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 and in case of employees at overseas locations as per the rules in force in the respective countries. ICICI Bank makes contributions to four separate gratuity funds, for employees inducted from erstwhile ICICI Limited (erstwhile ICICI), employees inducted from erstwhile Bank of Madura, employees inducted from erstwhile The Sangli Bank Limited (erstwhile Sangli Bank) and employees of ICICI Bank other than employees inducted from erstwhile ICICI, erstwhile Bank of Madura and erstwhile Sangli Bank.

Separate gratuity funds for employees inducted from erstwhile ICICI, erstwhile Bank of Madura and erstwhile Sangli Bank are managed by ICICI Prudential Life Insurance Company Limited. The gratuity fund for employees of ICICI Bank, other than employees inducted from erstwhile ICICI and erstwhile Bank of Madura and erstwhile Sangli Bank is administered by Life Insurance Corporation of India and ICICI Prudential Life Insurance Company Limited.

Actuarial valuation of the gratuity liability for all the above funds is determined by an actuary appointed by the Bank. In accordance with the gratuity funds' rules, actuarial valuation of gratuity liability is calculated based on certain assumptions regarding rate of interest, salary growth, mortality and staff attrition as per the projected unit credit method.

Superannuation Fund

ICICI Bank contributes 15.0% of the total annual basic salary of each employee to a superannuation fund for ICICI Bank employees. The employee gets an option on retirement or resignation to commute one-third of the total credit balance in his/her account and receive a monthly pension based on the remaining balance. In the event of death of an employee, his or her beneficiary receives the remaining accumulated balance. ICICI Bank also gives an option to its employees, allowing them to receive the amount contributed by ICICI Bank along with their monthly salary during their employment.

Upto March 31, 2005, the superannuation fund was administered solely by Life Insurance Corporation of India. Subsequent to March 31, 2005, both Life Insurance Corporation of India and ICICI Prudential Life Insurance Company Limited are administering the fund. Employees had 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 of erstwhile Bank of Madura and certain employees of erstwhile Sangli Bank. 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. For erstwhile Bank of Madura and erstwhile Sangli Bank employees in service, separate pension funds are managed in-house and the liability is funded as per actuarial valuation. The pension payments to retired employees of erstwhile Bank of Madura and erstwhile Sangli Bank are being administered by ICICI Prudential Life Insurance Company Limited, for whom the Bank has purchased master annuity policies. Employees covered by the pension plan are not eligible for benefits under the provident fund plan, a defined contribution plan.

Provident Fund

ICICI Bank is statutorily required to maintain a provident fund as a part of retirement benefits to its employees. There are separate provident funds for employees inducted from erstwhile Bank of Madura and erstwhile Sangli Bank (other than those employees who have opted for pension), and for other employees of ICICI Bank. In-house trustees manage these funds. Each employee contributes 12.0% of his or her basic salary (10.0% for certain staff of erstwhile Bank of Madura and erstwhile Sangli Bank) and ICICI Bank contributes an equal amount to the funds. The funds are invested 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 borne by the Bank. The income tax provision is determined in accordance with the provisions of 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 substantively enacted at the balance sheet date. The impact of changes in 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 their realisation is considered as reasonably certain.

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 with 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 as 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 estimates 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 to this effect 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 or disclose contingent assets, if any.

13. Earnings per share ("EPS")

Basic earnings per share is 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 share reflect the potential dilution that could occur if contracts to issue equity shares were exercised or converted during the period. 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 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.

SCHEDULE 19 — NOTES FORMING PART OF THE ACCOUNTS

The following additional disclosures have been made taking into account the requirements of accounting standards and Reserve Bank Of India ("RBI") guidelines in this regard.

1. Merger of the Sangli Bank Limited

The Sangli Bank Limited (Sangli Bank), a banking company incorporated under the Companies Act, 1956 and licensed by RBI under the Banking Regulation Act, 1949 was amalgamated with ICICI Bank with effect from April 19, 2007 in terms of the Scheme of Amalgamation (the Scheme) approved by RBI vide its order DBOD No. PSBD 10268/16.01.128/2006-07 dated April 18, 2007 under section 44A(4) of the Banking Regulation Act, 1949. The consideration for the amalgamation was 100 equity shares of ICICI Bank of the face value Rs. 10 each fully paid-up for every 925 equity shares of Rs. 10 each of Sangli Bank. Accordingly on May 28, 2007, ICICI Bank allotted 3,455,008 equity shares of Rs. 10 each to the shareholders of Sangli Bank.

As per the Scheme, the entire undertaking of Sangli Bank including all its assets and liabilities stood transferred/deemed to be transferred to and vested in the Bank.

The amalgamation has been accounted as per the scheme in accordance with the purchase method of accounting as per Accounting Standard 14 (AS-14) "Accounting for Amalgamations" issued by the Institute of Chartered Accountants of India. Accordingly the assets and liabilities of Sangli Bank have been accounted at the values at which they were appearing in the books of Sangli Bank as on April 18, 2007 and provisions were made for the difference between the book values appearing in the books of Sangli Bank and the fair value as determined by ICICI Bank.

In the books of ICICI Bank, an "Amalgamation Expenses Provision Account" was credited by an amount determined for the expenses and costs of the Scheme arising as a direct consequence on account of any changes in the business or operation of Sangli Bank proposed or considered necessary by the Board of Directors of ICICI Bank (including but not limited to rationalisation, upgradation and enhancement of human resources and expenses relating to modifying signage, modifying stationery, branding, changing systems and network, communication including media costs, impairments of technology and fixed assets, conducting general meetings, payments of listing fees and other statutory and regulatory charges, travel in relation to the consolidation contemplated in the Scheme, valuation, due diligence, investment banking expenses and charges relating to preparation of the Scheme, consultations in relation to the consolidation contemplated in the Scheme and training), and other extraordinary expenses on integration and consolidation under the Scheme, to be incurred by the Bank and the balance in such account has been debited to the securities premium account.

Accordingly, the excess of the paid-up value of the shares issued over the fair value of the net assets acquired (including reserves) of Rs. 3,259.5 million and amalgamation expenses of Rs. 222.7 million have been netted off from the securities premium account. The computation of this amount is detailed in the table below:

Particulars	Amount	Amount
	(Rupees in million)	
3,455,008 equity shares of face value of Rs. 10 each		34.6
Less:		
Net assets of Sangli Bank at April 18, 2007	(2,500.7)	
Fair value adjustments	(517.7)	
Reserves taken over on amalgamation	(206.5)	(3,224.9)
Excess of the paid-up value of the shares issued over the fair value of the net assets acquired		(3,259.5)
Amalgamation expenses		(222.7)

As per Accounting Standard — 14 (AS-14) on "Accounting for Amalgamations" issued by the Institute of Chartered Accountants of India, under the 'purchase method' of accounting for amalgamation, the identity of reserves of the amalgamating entity is not required to be preserved in the books of ICICI Bank. However, the balance in Statutory Reserve Account of Sangli Bank at April 18, 2007 has been added to the Statutory Reserves of ICICI Bank. As a result, the balance in Statutory Reserve is higher to the extent of Rs. 206.5 million and the excess of the paid-up value of shares issued over the fair value of the net assets acquired is lower to that extent.

2. Equity issue

The Bank made a follow on public offering of equity shares (including green shoe option) and American Depository Share's ("ADSs") vide its prospectus dated June 26, 2007 and June 23, 2007 respectively aggregating to Rs. 199,673.5 million. The expenses of the issue amounting to Rs. 1,846.6 million have been written-off against securities premium account as per the objects of the issue. The details of the equity shares and ADSs issued are given in the table below:

Details	No. of equity shares	Amount of securities premium	Aggregate proceeds
	(Rupees in million, except number of shares)		
Equity shares of Rs. 10 each at a premium of Rs. 930 per share	61,923,519	57,588.9	58,208.1
Equity shares of Rs. 10 each at a premium of Rs. 880 per share	32,912,238	28,962.7	29,291.9
Equity shares of Rs. 10 each at a premium of Rs. 930 per share issued under green shoe option	13,762,869	12,799.5	12,937.1
49,949,238 American Depository Share ("ADSs") at a price of US$ 49.25 per ADSs [1,2,3]	99,898,476	98,237.4	99,236.4
Total	208,497,102	197,588.5	199,673.5

1. Includes 6,497,462 ADSs issued on exercise of the green shoe option.
2. 1 ADS = 2 Equity shares of Rs. 10 each
3. Converted at US$ 1 = Rs. 40.34, being noon buying rate on the date of allotment.

3. Capital adequacy ratio

The Bank is subject to the capital adequacy norms stipulated by the Reserve Bank of India ('RBI'). As per the earlier applicable capital adequacy guidelines (Basel I), the Bank was required to maintain a minimum ratio of total capital to risk adjusted assets and off-balance sheet items of 9.0%, at least half of which must be Tier I capital. On April 27, 2007, the Reserve Bank of India issued Prudential Guidelines on Capital Adequacy and Market Discipline — Implementation of the New Capital Adequacy Framework, which are applicable to all Indian banks having operational presence outside India from March 31, 2008. Under the new guidelines (Basel II), which are now applicable to the Bank, the Bank is required to maintain a minimum ratio of total capital to risk adjusted assets of 9.0%, with a minimum Tier I capital ratio of 6.0%.

In order to comply with prudential floor prescribed by RBI under the new guidelines (100% of minimum capital requirement computed as per Basel I framework as on March 31, 2008), the Bank has computed and reported the capital adequacy position as per Basel I and Basel II norms. Since the capital charge as per the new capital adequacy framework (Basel II) is higher than the Basel I framework, the Bank has maintained capital as per Basel II norms.

	As per Basel I framework		As per Basel II framework
	As on March 31, 2008	As on March 31, 2007	As on March 31, 2008
	(Rupees in million)		
Tier I capital	381,340.1	215,033.4	421,724.0
(of which Lower Tier I)	*26,573.4*	*22,577.9*	*26,573.4*
Tier II capital	121,212.1	123,928.5	78,861.0
(of which Upper Tier II)	*24,510.0*	*20,012.5*	*24,510.0*
Total capital	502,552.2	338,961.9	500,585.0
Total risk weighted assets	3,367,547.0	2,899,930.6	3,584,566.2
CRAR (%)	14.92%	11.69%	13.97%
CRAR - Tier I capital (%)	11.32%	7.42%	11.76%
CRAR - Tier II capital (%)	3.60%	4.27%	2.20%
Amount of subordinated debt raised as Tier I capital/Tier II capital during the year	22,350.0	64,903.5	22,350.0

4. Business/information ratios

The business/information ratios for the year ended March 31, 2008 and March 31, 2007 are given in the table below:

		Year ended March 31, 2008	Year ended March 31, 2007
(i)	Interest income to working funds[1, 4]	8.29%	7.69%
(ii)	Non-interest income to working funds[1, 4]	2.37%	2.42%
(iii)	Operating profit to working funds[1, 4]	2.14%	2.05%
(iv)	Return on assets[2]	1.12%	1.09%
(v)	Profit per employee (Rs. in million)	1.0	0.9
(vi)	Business per employee (average deposits plus average advances)[3] (Rs. in million)	100.8	102.7

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.
3. For the purpose of computing the ratio, deposits and advances are the total deposits and total advances as reported to RBI in Form A under Section 27 of the Banking Regulation Act, 1949. The average deposits and the average advances represent the simple average of the figures reported in Form A to RBI under Section 27 of the Banking Regulation Act, 1949.
4. Previous year figures have been regrouped/re-classified to compare with current year classification.

5. Information about business and geographical segments

Business segments for the year ended March 31, 2008

Pursuant to the guidelines issued by RBI on Accounting Standard- 17 (Segment Reporting)- Enhancement of Disclosures dated April 18, 2007, effective from period ending March 31, 2008, the following business segments have been reported.

- Retail Banking includes exposures which satisfy the four criteria of orientation, product, granularity and low value of individual exposures for retail exposures laid down in Basel Committee on Banking Supervision document "International Convergence of Capital Measurement and Capital Standards: A Revised Framework".
- Wholesale Banking includes all advances to trusts, partnership firms, companies and statutory bodies, which are not included under the Retail Banking.
- Treasury includes the entire investment portfolio of the Bank.
- Other Banking includes hire purchase and leasing operations and also includes gain/loss on sale of banking & non-banking assets and other items not attributable to any particular business segment.

Income, expenses, assets and liabilities are either specifically identified with individual segments or are allocated to segments on a systematic basis.

All liabilities are transfer priced to a central treasury unit, which pools all funds and lends to the business units at appropriate rates based on the relevant maturity of assets being funded after adjusting for regulatory reserve requirements. While the transfer pricing methodology followed for the period ending March 31, 2007 was based on similar principles, the same has been refined further in the current year.

Pursuant to the reorganisation of the business segments in line with the aforementioned RBI guidelines, the business segments are not comparable to the segments reported for the period ended March 31, 2007.

The business segment results on this basis are given below:

		For the year ended March 31, 2008				
	Particulars	Retail Banking	Wholesale Banking	Treasury/ Investment Banking	Other Banking Business	Total
				(Rupees in million)		
1	Revenue	244,185.4	249,493.5	290,982.6	2,749.2	787,410.7
2	Less: Inter-segment revenue					391,419.6
3	Total revenue (1) - (2)					395,991.1
4	Segment results	10,838.4	36,240.6	5,159.2	252.1	52,490.3
5	Unallocated expenses					1,929.3
6	Income tax expenses (net of deferred tax credit)					8,983.7
7	Net Profit (4) - (5) - (6)					41,577.3
8	Segment assets	1,112,510.1	1,263,992.0	1,540,852.6	27,053.4	3,944,408.1
9	Unallocated assets[1]					53,542.7
10	Total assets (8) + (9)					3,997,950.8
11	Segment liabilities	1,152,965.5	1,378,224.6	1,442,104.8[2]	20,360.4	3,993,655.3
12	Unallocated liabilities					4,295.5
13	Total liabilities (11) + (12)					3,997,950.8
14	Capital expenditure	6,430.8	1,364.6	8.5	504.5	8,308.4
15	Depreciation	2,836.8	889.1	5.3	2,052.3	5,783.5

1. Includes tax paid in advance/tax deducted at source (net) and deferred tax asset (net).
2. Includes share capital and reserves and surplus.

Business segments for the year ended March 31, 2007

For the year ended March 31, 2007 the Bank reported the following business segments:

- Consumer and Commercial Banking comprising of the retail and corporate banking operations of the Bank.
- Investment Banking comprising the treasury operations of the Bank.

Inter-segment transactions were generally based on transfer pricing measures as determined by management. Income, expenses, assets and liabilities were either specifically identified with individual segments or are allocated to segments on a systematic basis.

The business segment results on this basis are given below:

	Particulars	Consumer and commercial banking	Investment Banking	Total
		For the year ended March 31, 2007		
		(Rupees in million)		
1	Revenue	234,793.7	70,662.0	305,455.7
2	Less: Inter-segment revenue			(16,221.1)
3	Total revenue (1) - (2)			289,234.6
4	Segment results	23,383.9	13,480.5	36,864.4
5	Unallocated expenses			384.0
6	Income tax expenses (net of deferred tax credit)			5,378.2
7	Net Profit (4) - (5) - (6)			31,102.2
8	Segment assets	2,163,604.5	1,238,714.1	3,402,318.6
9	Unallocated assets[1]			44,262.5
10	Total assets (8) + (9)			3,446,581.1
11	Segment liabilities	2,642,032.9	804,548.2[2]	3,446,581.1
12	Unallocated liabilities			—
13	Total liabilities (11) + (12)			3,446,581.1

1. Includes tax paid in advance/tax deducted at source (net), deferred tax asset (net) and early retirement option expenses not written off.
2. Includes share capital and reserves and surplus.

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 segment results are given below:

Revenue[1]	For the year ended March 31, 2008	For the year ended March 31, 2007
	(Rupees in million)	
Domestic Operation	362,828.2	268,961.9
Foreign Operation	33,162.9	20,272.7
Total	395,991.1	289,234.6

1. Gains and losses on offsetting transactions are accounted for separately in domestic and foreign segments respectively and not netted off.

Assets	As on March 31, 2008	As on March 31, 2007
	(Rupees in million)	
Domestic Operation	3,329,664.8	3,039,670.0
Foreign Operation	614,743.3	406,911.1
Total	3,944,408.1	3,446,581.1

6. 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 year. The 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, 2008	Year ended March 31, 2007
	(Rupees in million, except per share data)	
Basic		
Weighted average no. of equity shares outstanding	1,055,591,068	892,820,768
Net profit	41,577.3	31,102.2
Basic earnings per share (Rs.)	39.39	34.84
Diluted		
Weighted average no. of equity shares outstanding	1,062,103,167	897,743,476
Net profit	41,577.3	31,102.2
Diluted earnings per share (Rs.)	39.15	34.64
Nominal value per share (Rs.)	10.00	10.00

The dilutive impact is due to options granted to employees by the Bank.

7. Maturity pattern

- In compiling the information of maturity pattern (refer 7 (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, 2008 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	93,299.9	144,138.8	150,415.1	18,949.7	67,356.4	49,954.8
15 to 28 days	27,857.4	102,926.6	105,105.3	5,407.0	11,229.6	12,310.0
29 days to 3 months	155,107.3	110,681.3	377,315.6	37,476.4	64,606.8	60,017.7
3 to 6 months	156,415.2	106,274.8	353,452.6	98,782.1	31,405.6	82,855.8
6 months to 1 year	260,207.4	171,675.0	596,599.9	112,847.4	61,401.7	121,563.8
1 to 3 years	773,243.4	208,115.1	812,119.4	176,727.5	66,300.5	143,269.2
3 to 5 years	331,808.1	46,577.8	34,047.3	176,974.8	125,974.1	170,063.8
Above 5 years	458,222.1	224,154.0	15,255.3	29,319.4	229,717.0	74,283.0
Total	2,256,160.8	1,114,543.4	2,444,310.5	656,484.3	657,991.7	714,318.1

1. Includes foreign currency balances.

b) The maturity pattern of assets and liabilities of the Bank as on March 31, 2007 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	92,885.1	45,292.9	223,743.2	9,453.3	94,285.0	47,662.5
15 to 28 days	24,562.0	97,922.7	104,126.2	5,694.1	12,626.0	10,878.7
29 days to 3 months	96,063.1	97,022.5	341,989.9	44,171.4	34,763.7	54,592.9
3 to 6 months	128,770.4	85,208.4	322,724.8	70,423.4	28,473.7	56,766.2
6 months to 1 year	208,006.2	173,803.9	594,972.4	82,016.6	92,005.7	83,910.9
1 to 3 years	763,016.1	156,450.4	674,036.1	158,216.9	56,812.0	137,945.8
3 to 5 years	251,094.3	68,280.5	31,354.7	122,375.6	68,987.5	103,222.6
Above 5 years	394,258.8	188,597.1	12,154.6	20,209.0	105,876.0	71,292.1
Total	1,958,656.0	912,578.4	2,305,101.9	512,560.3	493,829.6	566,271.7

1. Includes foreign currency balances.

8. Related party transactions

The Bank has transactions with its related parties comprising of subsidiaries, associates/joint ventures/ other related entities and key management personnel.

Subsidiaries

ICICI Venture Funds Management Company Limited, ICICI Securities Primary Dealership Limited, ICICI Securities 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 PLC, ICICI Bank Canada, ICICI Prudential Life Insurance Company Limited[1], ICICI Lombard General Insurance Company Limited[1], ICICI Prudential Asset Management Company Limited[1], ICICI Prudential Trust Limited[1], ICICI Bank Eurasia Limited Liability Company and ICICI Wealth Management Inc.

1. Jointly controlled entities.

Associates/Joint Ventures/other related entities

ICICI Equity Fund[1], ICICI Eco-net Internet and Technology Fund[1], ICICI Emerging Sectors Fund[1], ICICI Strategic Investments Fund[1], ICICI Kinfra Limited[1, 2], ICICI West Bengal Infrastructure Development Corporation Limited[1, 2], ICICI Property Trust, Financial Information Network and Operations Limited[2], TCW/ ICICI Investment Partners LLC, TSI Ventures (India) Private Limited, I-Process Services (India) Private Limited[2], I-Solutions Providers (India) Private Limited[2], NIIT Institute Of Finance, Banking And Insurance Training Limited[2], ICICI Venture Value Fund[2], Comm Trade Services Limited[2], Loyalty Solutions & Research Limited[2], Café Network Limited[2], Traveljini.com Limited[2] and Firstsource Solutions Limited[2](Bank's holding is 24.97% as on March 31, 2008).

1. Entities consolidated under Accounting Standard-21 (AS-21) on "Consolidated Financial Statements".
2. With respect to entities, which have been identified as related parties from the financial year ended March 31, 2008, previous year's comparative figures have not been reported.

The following are the significant transactions between the Bank and its related parties.

Insurance services

During the year ended March 31, 2008, the Bank paid insurance premium to insurance subsidiaries amounting to Rs. 1,065.3 million (March 31, 2007: Rs. 1,191.1 million). During the year ended March 31, 2008, the Bank received claims from insurance subsidiaries amounting to Rs. 713.9 million (March 31, 2007: Rs. 725.4 million).

Fees and commission

During the year ended March 31, 2008, the Bank received fees from its subsidiaries amounting to Rs. 5,748.7 million (March 31, 2007: Rs. 4,427.2 million) and Rs. 72.5 million (March 31, 2007: Rs. Nil) from its associates/joint ventures/other related entities. During the year ended March 31, 2008, the Bank received commission from its subsidiaries of Rs. 9.3 million (March 31, 2007: Rs. 10.7 million) and Rs. 7.4 million (March 31, 2007: Rs. Nil) from its associates/joint ventures/other related entities on account of guarantees and letters of credit issued.

Lease of premises and facilities

During the year ended March 31, 2008, the Bank charged an aggregate amount of Rs. 982.8 million from its subsidiaries (March 31, 2007: Rs. 711.5 million) and Rs. 3.9 million (March 31, 2007: Rs. Nil) from its associates/joint ventures/other related entities for lease of premises, facilities and other administrative costs.

Sale of housing loan portfolio

During the year ended March 31, 2008, the Bank sold housing loan portfolio to its subsidiary amounting to Rs. 6,231.4 million (March 31, 2007: Rs. 13,171.4 million).

Secondment of employees

During the year ended March 31, 2008, the Bank received Rs. 302.8 million (March 31, 2007: Rs. 136.3 million) from its subsidiaries and Rs. 1.8 million (March 31, 2007: Rs. Nil) from its associates/joint ventures/other related entities for secondment of employees.

Purchase of investments

During the year ended March 31, 2008, the Bank purchased certain investments from its subsidiaries amounting to Rs. 7,934.2 million (March 31, 2007: Rs. 14,186.8 million) and from its associates/joint ventures/other related entities amounting to Rs. Nil (March 31, 2007: Rs. 944.7 million). During the year ended March 31, 2008, the Bank invested in the equity and preference shares of its subsidiaries amounting to Rs. 43,009.2 million (March 31, 2007: Rs. 13,584.7 million) and in its associates/joint ventures/other related entities amounting to Rs. 57.5 million (March 31, 2007: Rs. Nil).

Sale of investments

During the year ended March 31, 2008, the Bank sold certain investments to its subsidiaries amounting to Rs. 15,526.7 million (March 31, 2007: Rs. 8,569.2 million).

Redemption/buyback and conversion of investments

During the year ended March 31, 2008, the Bank received a consideration of Rs. 1.2 million (March 31, 2007: Rs. 663.9 million) on account of buyback/capital reduction of equity shares by subsidiaries. Units in associates/joint ventures/other related entities amounting to Rs. 2,762.4 million (March 31, 2007: Rs. 2,795.9 million) were redeemed during the year ended March 31, 2008.

Reimbursement of expenses

During the year ended March 31, 2008, the Bank reimbursed expenses to its subsidiaries amounting to Rs. 526.8 million (March 31, 2007: Rs. 2,147.7 million), and to its associates/joint ventures/other related entities amounting to Rs. 0.8 million (March 31, 2007: Rs. Nil).

Brokerage and fee expenses

During the year ended March 31, 2008, the Bank paid brokerage/fees to its subsidiaries amounting to Rs. 950.7 million (March 31, 2007: Rs. 795.4 million), and to its associates/joint ventures/other related entities amounting to Rs. 2,354.7 million (March 31, 2007: Rs. Nil).

Custodial charges income

During the year ended March 31, 2008, the Bank charged an aggregate amount of Rs. 16.3 million (March 31, 2007: Rs. 20.4 million) from its subsidiaries and Rs. 6.8 million (March 31, 2007: Rs. 5.7 million) from its associates/joint ventures/other related entities.

Interest expenses

During the year ended March 31, 2008, the Bank paid interest to its subsidiaries amounting to Rs. 3,311.9 million (March 31, 2007: Rs. 513.6 million) and to its associates/joint ventures/other related entities amounting to Rs. 28.2 million (March 31, 2007: Rs. Nil).

Interest income

During the year ended March 31, 2008, the Bank received interest from its subsidiaries amounting to Rs. 1,575.3 million (March 31, 2007: Rs. 1,366.2 million), from its associates/joint ventures/other related entities amounting to Rs. 21.0 million (March 31, 2007: Rs. Nil) and from its key management personnel Rs. 0.7 million (March 31, 2007: Rs. 0.7 million).

Other income

During the year ended March 31, 2008, the net gain on derivative transactions entered into with subsidiaries was Rs. 4,398.0 million (March 31, 2007: gain of Rs. 537.3 million).

Dividend income

During the year ended March 31, 2008, the Bank received dividend from its subsidiaries amounting to Rs. 3,636.6 million (March 31, 2007: Rs. 2,027.8 million) and from its associates/joint ventures/other related entities amounting to Rs. 8,931.4 million (March 31, 2007: Rs. 2,457.1 million).

Dividend paid

During the year ended March 31, 2008, the Bank paid dividend to its key management personnel amounting to Rs. 15.0 million (March 31, 2007: Rs. 4.4 million).

Remuneration to whole-time directors

Remuneration paid to the whole-time directors of the Bank during the year ended March 31, 2008 was Rs. 90.3 million (March 31, 2007: Rs. 87.0 million).

Lines of credit

As on March 31, 2008, the Bank had issued lines of credit to its subsidiaries amounting to Rs. 1,003.0 million (March 31, 2007: Rs. 2,173.5 million).

Sale of property

During the year ended March 31, 2008, the Bank sold properties to its subsidiaries amounting to Rs. 151.8 million (March 31, 2007: Rs. 1,505.7 million).

Letters of Comfort

The Bank has issued letters of comfort on behalf of its foreign subsidiaries namely, ICICI Bank UK PLC and ICICI Bank Canada. The details of the same and their assessed financial impact are given below:

On behalf of	To	Purpose
ICICI Bank UK PLC	Financial Services Authority, UK ("FSA")	To financially support ICICI Bank UK PLC 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 thereunder and to indemnify CDIC against all losses, damages, reasonable costs and expenses arising from failure of ICICI Bank Canada in performing the same.

As per the assessment done, the financial impact of the above letters issued to overseas regulators is Nil as at March 31, 2008.

In addition to the above, the Bank has also issued letters of comfort in the nature of awareness on behalf of banking and non-banking subsidiaries in respect of their borrowings made or proposed to be made and for other incidental business purposes. As they are in the nature of factual statements or confirmation of facts, they do not create any financial impact on the Bank.

Related party balances

The balances payable to/receivable from subsidiaries/joint ventures/associates/other related entities/key management personnel included in the balance sheet as on March 31, 2008 are given below:

Items/Related party	Subsidiaries	Associates/joint ventures/other related entities	Key Management Personnel	Relatives of Key Management Personnel	Total
			(Rupees in million)		
Deposits with ICICI Bank	11,476.0	268.9	27.1	14.1	11,786.1
Deposits of ICICI Bank	(17.1)	—	—	—	(17.1)
Call/term money lent	15,917.8	—	—	—	15,917.8
Call/term money borrowed	240.7	—	—	—	240.7
Advances	5,002.5	145.5	13.9	—	5,161.9
Investments of ICICI Bank	88,178.8	12,109.2	—	—	100,288.0
Investments of related parties in ICICI Bank	2,250.5	—	8.6	0.5	2,259.6
Receivables	3,351.7	52.5	—	—	3,404.2
Payables	436.4	350.1	—	—	786.5
Guarantees	3,400.2	5.0	—	—	3,405.2
Swaps/forward contracts	508,047.8	—	—	—	508,047.8
Participation Certificate	—	—	—	—	—
Employee Stock Options Outstanding (Nos.)	—	—	2,860,625	—	2,860,625
Employee Stock Options Exercised[1]	—	—	138.1	—	138.1

1. During the year ended March 31, 2008, 317,125 employee stock options were exercised.

The maximum balance payable to/receivable from subsidiaries/joint ventures/associates/other related entities/key management personnel during the year ended March 31, 2008 is given below:

Items/Related party	Subsidiaries	Associates/joint ventures/other related entities	Key Management Personnel	Relatives of Key Management Personnel	Total
			(Rupees in million)		
Deposits with ICICI Bank	50,517.8	5,603.3	71.4	22.5	56,215.0
Deposits of ICICI Bank	1,120.8	—	—	—	1,120.8
Call/term money lent	17,249.5	—	—	—	17,249.5
Call/term money borrowed	2,865.0	—	—	—	2,865.0
Advances	11,496.4	1,021.3	28.7	—	12,546.4
Investments of ICICI Bank	88,178.8	18,895.0	—	—	107,073.8
Investments of related parties in ICICI Bank	2,250.5[1]	—	10.8[1]	1.6[1]	2,262.9
Receivables	5,593.5	49.7[1]	—	—	5,643.2
Payables	1,483.4	350.1[1]	—	—	1,833.5
Guarantees	3,450.2	5.0	—	—	3,455.2
Swaps/forward contracts	524,892.6	—	—	—	524,892.6
Participation Certificate	—	—	—	—	—

1. Maximum balances are determined based on comparison of the total outstanding balances as at each quarter end during the financial year.

The balances payable to/receivable from subsidiaries/joint ventures/associates/key management personnel included in the balance sheet as on March 31, 2007 are given below:

Items/Related party	Subsidiaries/ Joint Ventures	Associates	Key Management Personnel	Relatives of Key Management Personnel	Total
			(Rupees in million)		
Deposits with ICICI Bank	9,550.6	42.8	51.6	28.1	9,673.1
Deposits of ICICI Bank	319.1	—	—	—	319.1
Call/term money lent	11,186.1	—	—	—	11,186.1
Call/term money borrowed	0.4	—	—	—	0.4
Advances	6,477.3	—	20.6	—	6,497.9
Investments of ICICI Bank	43,938.1	13,743.1	—	—	57,681.2
Investments of related parties in ICICI Bank	496.0	—	14.0	0.1	510.1
Receivables	1,456.5	—	—	—	1,456.5
Payables	657.8	—	—	—	657.8
Guarantees[1]	3,449.8	—	—	—	3,449.8
Swaps/forward contracts	214,298.9	—	—	—	214,298.9
Participation certificate	7,193.9	—	—	—	7,193.9
Employee Stock Options Outstanding (Nos.)	—	—	1,920,000	—	1,920,000
Employee Stock Options Exercised[2]	—	—	459.2	—	459.2

1. Includes letter of undertaking.
2. During the year ended March 31, 2007, 1,884,750 employee stock options were exercised.

The maximum balance payable to/receivable from subsidiaries/joint ventures/associates/key management personnel during the year ended March 31, 2007 is given below:

Items/Related party	Subsidiaries/ Joint Ventures	Associates	Key Management Personnel	Relatives of Key Management Personnel	Total
			(Rupees in million)		
Deposits with ICICI Bank	16,238.9	3,149.0	69.7	59.3	19,516.9
Deposits of ICICI Bank	1,228.8	—	—	—	1,228.8
Call/term money lent	13,098.7	—	—	—	13,098.7
Call/term money borrowed	869.4	—	—	—	869.4
Advances	6,477.3	—	20.8	—	6,498.1
Investments of ICICI Bank	43,938.1	16,539.2	—	—	60,477.3
Investments of related parties in ICICI Bank	1,533.6	—	14.0	0.1	1,547.7
Receivables	2,325.2	—	—	—	2,325.2
Payables	1,107.3	—	—	—	1,107.3
Repo	423.0	—	—	—	423.0
Reverse repo	1,880.0	—	—	—	1,880.0
Guarantees[1]	3,870.5	—	—	—	3,870.5
Swaps/forward contracts	222,532.4	—	—	—	222,532.4
Participation certificate	161,522.1	—	—	—	161,522.1

1. Includes letter of undertaking.

9. 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, 2008 and March 31, 2007 is given in the table below:

	Year ended March 31, 2008	Year ended March 31, 2007
	(Rupees in million, except number of loans securitised)	
Total number of loan assets securitised	1,149,931	1,484,398
Total book value of loan assets securitised	140,852.0	116,012.5
Sale consideration received for the securitised assets	142,470.4	116,500.6
Net gain/(loss) on account of securitisation[1]	168.2	(65.5)

1. Excludes unamortized gain.

	As on March 31, 2008	As on March 31, 2007
	(Rupees in million)	
Outstanding credit enhancement	15,601.2	16,712.3
Outstanding liquidity facility	7,740.8	4,361.0
Net outstanding servicing asset/(liability)	1,355.4	(371.4)
Outstanding subordinate contributions	11,459.5	8,225.8

The outstanding credit enhancement in the form of guarantees amounted to Rs. 29,155.6 million as on March 31, 2008 (March 31, 2007: Rs. 8,198.4 million).

The details of provision created at the time of securitisation are given below:

Particulars	Year ended March 31, 2008
	(Rupees in million)
Opening balance	6,885.1
Add: Additions during the year	4,524.2
Less: Deductions during the year	2,222.6
Closing balance	9,186.7

10. Staff retirement benefits

Reconciliation of opening and closing balance of the present value of the defined benefit obligation for pension benefits is given below:

Particulars	Year ended March 31, 2008	Year ended March 31, 2007
	(Rupees in million)	
Opening obligations	1,029.4	1,038.5
Add: Addition due to amalgamation	1,807.4	—
Service cost	54.0	6.7
Interest cost	230.7	78.0
Actuarial (gain)/loss	(172.3)	(28.2)
Liabilities extinguished on settlement	(1,071.0)	(2.3)
Benefits paid	(200.1)	(63.3)
Obligations at end of year	1,678.1	1,029.4
Opening plan assets, at fair value	988.5	1,079.5
Add: Addition due to amalgamation	584.8	—
Expected return on plan assets	115.8	78.9
Actuarial gain/(loss)	(118.0)	(110.1)
Assets distributed on settlement	(1,145.2)	(2.3)
Contributions	1,264.3	5.8
Benefits paid	(200.1)	(63.3)
Closing plan assets, at fair value	1,490.1	988.5
Fair value of plan assets at the end of the year	1,490.1	988.5
Present value of the defined benefit obligations at the end of the year	1,678.1	1,029.4
Asset/(liability)	(188.0)	(40.9)
Cost for the year		
Service cost	54.0	6.7
Interest cost	230.7	78.0
Expected return on plan assets	(115.8)	(78.9)
Actuarial (gain)/loss	(54.3)	81.9
Curtailments & settlements (gain)/loss	74.2	—
Net cost	188.8	87.7

Investment details of plan assets
Majority of the plan assets are invested in Government securities and corporate bonds.

Assumptions		
Interest rate	8.57%	8.35%
Salary escalation rate	7.00%	7.00%
Estimated rate of return on plan assets	8.00%	7.50%

Reconciliation of opening and closing balance of the present value of the defined benefit obligation for gratuity benefits is given below:

Particulars	Year ended March 31, 2008	Year ended March 31, 2007
	(Rupees in million)	
Opening obligations	1,142.1	1,001.0
Add: Addition due to amalgamation/initial recognition of foreign branches	506.6	—
Service cost	292.8	221.0
Interest cost	136.4	75.5
Actuarial (gain)/loss	(62.0)	(63.6)
Transitional obligation/(Asset)	(0.2)	—
Benefits paid	(175.3)	(91.8)
Obligations at end of year	1,840.4	1,142.1
Opening plan assets, at fair value	891.7	785.3
Add: Addition due to amalgamation	73.1	—
Expected return on plan assets	74.4	62.5
Actuarial gain/(loss)	(24.8)	(18.0)
Contributions	667.6	153.7
Benefits paid	(175.3)	(91.8)
Closing plan assets, at fair value	1,506.7	891.7
Fair value of plan assets at the end of the year	1,506.7	891.7
Present value of the defined benefit obligations at the end of the year	1,840.4	1,142.1
Asset/(liability)	(333.7)	(250.4)
Cost for the year		
Service cost	292.8	221.0
Interest cost	136.4	75.5
Expected return on plan assets	(74.4)	(62.5)
Actuarial (gain)/loss	(37.2)	(45.6)
Transitional obligation/(Asset)	(0.2)	—
Net cost	317.4	188.4

Investment details of plan assets
Majority of the plan assets are invested in insurer managed funds and special deposit schemes.

Assumptions		
Interest rate	8.57%	8.35%
Salary escalation rate	7.00%	7.00%
Estimated rate of return on plan assets	8.00%	7.50%

The estimates of future salary increases, considered in actuarial valuation, take into consideration inflation, seniority, promotion and other relevant factors.

The guidance on implementing Accounting Standard 15, Employee Benefits (revised 2005) issued by the Accounting Standards Board (ASB) provides that exempt provident funds which require employers to meet the interest shortfall are in effect defined benefit plans. The Bank's actuary has informed that it is not practicable to actuarially determine the interest shortfall obligation.

11. 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. Under the stock option scheme, options vest in a graded manner over a four-year period, with 20%, 20%, 30% and 30% 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.

In terms of the Scheme, 15,638,152 options (March 31, 2007: 13,187,783 options) granted to eligible employees were outstanding at March 31, 2008.

As per the scheme, the exercise price of ICICI Bank's options is the last closing price on the stock exchange, which recorded highest trading volume preceding the date of grant of options. Hence, there is no compensation cost in the year ended March 31, 2008 based on intrinsic value of options. However, if ICICI Bank had used the fair value of options based on the Black-Scholes model, compensation cost for the year ended March 31, 2008 would have been higher by Rs. 1,259.9 million and proforma profit after tax would have been Rs. 40,317.4 million. On a proforma basis, ICICI Bank's basic and diluted earnings per share would have been Rs. 38.19 and Rs. 37.96 respectively. The key assumptions used to estimate the fair value of options granted during the year ended March 31, 2008 are given below:

Risk-free interest rate	7.12% to 8.11%
Expected life	2-6 years
Expected volatility	36.26% to 38.01%
Expected dividend yield	1.07%

The weighted average fair value of options granted during the year ended March 31, 2008 is Rs. 376.39.

A summary of the status of the Bank's stock option plan is given below:

	Stock options outstanding			
	Year ended March 31, 2008		Year ended March 31, 2007	
Particulars	Number of options	Weighted Average Exercise Price	Number of options	Weighted Average Exercise Price
	(Rupees, except number of options)			
Outstanding at the beginning of the year	13,187,783	442.50	17,362,584	262.60
Add: Granted during the year	4,956,300	938.41	6,439,900	582.26
Less: Lapsed during the year	1,037,218	582.51	1,127,650	422.81
Less: Exercised during the year[1]	1,468,713	379.34	9,487,051	210.47
Outstanding at the end of the year	15,638,152	596.32	13,187,783	442.50
Options exercisable	3,272,292	411.89	326,259	225.80

1. Excludes options exercised but not allotted.

Summary of stock options outstanding as on March 31, 2008 is given below:

Range of exercise price (Rupees per share)	Number of shares arising out of options (Number of shares)	Weighted average exercise price (Rupees)	Weighted average remaining contractual life (Number of years)
105-299	164,951	151.20	3.75
300-599	10,641,216	448.87	7.32
600-999	4,745,985	932.63	9.08
1,000-1,399	86,000	1,135.27	9.68

The options were exercised regularly throughout the year and weighted average share price as per NSE price volume data during the year ended March 31, 2008 was Rs. 1,044.02 (March 31, 2007: Rs. 750.58).

The Finance Act 2007 introduced Fringe Benefit Tax ("FBT") on employee stock options. The FBT liability crystallises on the date of exercise of stock options by employees and is computed based on the difference between fair market value on date of vesting and the exercise price. As per the ESOS scheme, FBT of Rs. 226.7 million has been recovered from the employees on 1,468,713 stock options exercised during the year ended March 31, 2008.

12. Preference shares

Certain government securities amounting to Rs. 2,331.8 million (March 31, 2007: Rs. 2,104.8 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.

13. Subordinated debt

During the year ended March 31, 2008, the Bank raised subordinated debt qualifying for Tier I/Tier II capital amounting to Rs. 22,350.0 million. The details of these bonds are given below:

Particulars	Date of Issue	Coupon Rate (%)	Tenure	Amount
		(Rupees in million)		
Tranche 1 Option I.......	January 10, 2008	10.15% (annually)[1]	Perpetual[2]	5,000.0
Total (Tier I)				5,000.0

1. Coupon rate of 10.15% payable annually from January 10, 2008 upto April 30, 2018 and 50 basis points over and above the coupon rate of 10.15% i.e. 10.65% payable annually for the balance years, if the call option is not exercised by the Bank.
2. Call option exercisable on April 30, 2018 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 II	January 10, 2008	9.70% (annually)[1]	15 years[2]	5,000.0
Total (Upper Tier II)....				5,000.0

1. Coupon rate of 9.70% payable annually from January 10, 2008 upto April 30, 2018 and 50 basis points over and above the coupon rate of 9.70% i.e. 10.20% payable annually for the balance years, if the call option is not exercised by the Bank.
2. Call option exercisable on April 30, 2018 (exercisable with RBI approval).

Particulars	Date of Issue	Coupon Rate (%)	Tenure	Amount
		(Rupees in million)		
Tranche 2 Option I.......	January 21, 2008	9.15% annually	5 years and 3 months	1,230.0
Tranche 2 Option II	January 21, 2008	9.25% annually	10 years	1,120.0
Total (Tier II)..............				2,350.0

Particulars	Date of Issue	Coupon Rate (%)	Tenure	Amount
		(Rupees in million)		
Option A-I....................	November 10, 2007	9.80% annually	5 years and 3 months	6,098.7
Option A-II..................	November 10, 2007	9.39% monthly	5 years and 3 months	74.8
Option B-I....................	November 10, 2007	10.00% annually	10 years	3,718.0
Option B-II..................	November 10, 2007	9.57% monthly	10 years	108.5
Total (Tier II)..............				10,000.0

During the year ended March 31, 2007, the Bank raised subordinated debt qualifying for Tier I/Tier II capital amounting to Rs. 97,506.0 million. The details of these bonds are given below:

Particulars	Date of Issue	Coupon Rate (%)	Tenure	Amount
		(Rupees in million)		
Tranche 1 Option I.......	January 15, 2007	9.98% (semi-annually)[1]	Perpetual[2]	180.0
Total (Tier I)				180.0

1. Coupon rate of 9.98% payable semi-annually from January 15, 2007 upto April 30, 2017 and 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 on April 30, 2017 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 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)		
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 on April 30 and October 31 of each year, at a fixed rate per annum of 7.25% till October 31, 2016 and thereafter semi-annually in arrears on April 30, and October 31 of each year at a variable rate equal to six monthly LIBOR plus 2.94%.
2. Call option exercisable after 10 years i.e. on August 23, 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 I.......	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 1 Option II	January 15, 2007	9.40% annual [1]	15 years[2]	940.0
Total (Upper Tier II)				940.0

1. Coupon rate of 9.40% payable annually from January 15, 2007 upto April 30, 2017 and 10.40% payable semi-annually thereafter, if the call option is not exercised by the Bank.
2. Call option exercisable on April 30, 2017 (exercisable with RBI approval).

Particulars	Date of Issue	Coupon Rate (%)	Tenure	Amount
		(Rupees in million)		
Option I	January 12, 2007	6.375% (semi-annually)[1]	15 Years[2]	33,135.0
Total (Upper Tier II)[3] ..				33,135.0

1. Coupon rate semi-annually in arrears at fixed rate per annum equal to 6.375% till April 30, 2017 and thereafter semi-annually in arrears at six monthly LIBOR plus 2.28%, if the call option is not exercised by the Bank.
2. Call option exercisable on January 12, 2017 (exercisable with RBI approval).
3. The above bonds issued for Upper Tier II capital have been excluded from the capital adequacy ratio (CRAR) computation, pending clarification required by Reserve Bank of India regarding certain terms of these bonds.

Particulars	Date of Issue	Coupon Rate (%)	Tenure	Amount
		(Rupees in million)		
Option I	December 27, 2006	six-monthly libor + 1.40% (semi-annually)[1]	15 Years[2]	6,639.0
Total (Upper Tier II)....				6,639.0

1. Floating rate six monthly LIBOR plus 1.40% payable semi-annually on April 15 and October 15 of each year, till April 15, 2017 and thereafter semi-annually in arrears on April 15 and October 15 of each year at a rate equal to six monthly LIBOR plus 2.40%, if the call option is not exercised by the Bank.
2. Call option exercisable on December 27, 2016 (exercisable with RBI approval).

Particulars	Date of Issue	Coupon Rate (%)	Tenure	Amount
		(Rupees in million)		
Tranche 2 Option I	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, i.e. on July 17, 2016 (exercisable with RBI approval).

Particulars	Date of Issue	Coupon Rate (%)	Tenure	Amount
		(Rupees in million)		
Tranche 1 Option I	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 5 Option I	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 the 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, i.e. on June 22, 2016 (exercisable with RBI approval).

Particulars	Date of Issue	Coupon Rate (%)	Tenure	Amount
		(Rupees in million)		
Tranche 4 Option I	May 19, 2006	8.50% annual	10 years	230.0
Tranche 4 Option II.....	May 19, 2006	8.60% annual	12 years	140.0
Tranche 4 Option III....	May 19, 2006	8.40% annual	5 years and 11 months	350.0
Total (Tier II)..............				720.0

14. Investments

The details of investments and the movement of provisions held towards depreciation of investments of the Bank as on March 31, 2008 and March 31, 2007 are given below:

Particulars	As on March 31, 2008	As on March 31, 2007
	(Rupees in million)	
1 Value of Investments		
(i) Gross value of investments		
a) In India	1,056,883.5	873,108.3
b) Outside India	64,358.5	45,052.7
(ii) Provision for depreciation		
a) In India	(5,719.8)	(5,568.1)
b) Outside India	(978.7)	(14.5)
(iii) Net value of investments		
a) In India	1,051,163.7	867,540.2
b) Outside India	63,379.8	45,038.2
2. Movement of provisions held towards depreciation on investments		
(i) Opening balance	5,582.6	5,066.4
(ii) Add: Provisions made during the year	2,622.7	948.9
(iii) Less: Write-off/write back of excess provisions during the year...	(1,506.8)	(432.7)
(iv) Closing balance	6,698.5	5,582.6

15. Investment in securities, other than government and other approved securities

i) Issuer composition of investments in securities, other than government and other approved securities.

a) The issuer composition of investments of the Bank in securities, other than government and other approved securities as on March 31, 2008 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[2,3]
			(a)	(b)	(c)	(d)
				(Rupees in million)		
1	PSUs	6,022.8	3,000.0	22.5	—	—
2	FIs	11,601.6	6,711.0	—	1,656.0	3,426.0
3	Banks	40,374.6	13,376.2	437.8	7,101.2	5,456.0
4	Private Corporates	35,542.1	14,345.7	—	10,068.9	6,633.6
5	Subsidiaries/Joint ventures	88,178.8	3,851.4	—	150.0	150.0
6	Others	188,582.0	75,586.5	26,358.2	—	—
7	Provision held towards depreciation	(6,067.9)	—	—	—	—
	Total	364,234.0	116,870.8	26,818.5	18,976.1	15,665.9

1. Amounts reported under columns (a), (b), (c) and (d) above are not mutually exclusive.
2. This excludes investments, amounting to Rs. 3,701.4 million, in preference shares of subsidiaries, namely ICICI Bank UK PLC and ICICI Bank Canada. This also excludes investments in government securities (Rs. 1,402.5 million) of non-Indian origin made by overseas branches.
3. Includes Rs. 1,770.0 million of application money towards bonds issued by banks, which were listed before the Audit Committee Meeting held on April 25, 2008.

b) The issuer composition of investments of the Bank in securities, other than government and other approved securities as on March 31, 2007 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[2,3]
			(a)	(b)	(c)	(d)
				(Rupees in million)		
1	PSUs	2,850.9	251.0	32.1	—	—
2	FIs	9,414.3	4,195.3	577.5	2,656.0	2,656.0
3	Banks	23,069.0	1,124.0	2,082.0	9,172.2	8,694.0
4	Private Corporates	33,348.1	17,104.8	—	16,522.3	15,031.9
5	Subsidiaries/Joint ventures	44,005.8	4,821.1	—	150.0	150.0
6	Others	131,732.4	63,006.5	27,470.5	0.1	—
7	Provision held towards depreciation	(5,524.4)	—	—	—	—
	Total	238,896.1	90,502.7	30,162.1	28,500.6	26,531.9

1. Amounts reported under columns (a), (b), (c) and (d) above are not mutually exclusive.
2. This excludes investments, amounting to Rs. 4,671.1 million, in preference shares of subsidiaries, namely ICICI Bank UK PLC and ICICI Bank Canada. This also excludes investments in government securities Rs. 2,967.8 million and certificate of deposits Rs. 869.4 million of non-Indian origin made by overseas branches.
3. Includes an amount of Rs. 931.5 million in debentures, which were in the process of being listed.

ii) Non-performing investments in securities, other than government and other approved securities

The movement in gross non-performing investments in securities, other than government and other approved securities for the year ended March 31, 2008 and March 31, 2007 is given below:

Particulars	Year ended March 31, 2008	Year ended March 31, 2007
	(Rupees in million)	
Opening balance	3,083.1	2,595.9
Additions during the year	851.3	916.1
Reduction during the year	(244.8)	(428.9)
Closing balance	3,689.6	3,083.1
Total provisions held	2,276.3	2,045.9

16. Repurchase transactions

The details of securities sold and purchased under repos and reverse repos during the year ended March 31, 2008 and March 31, 2007 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 year end
	(Rupees in million)			
Year ended March 31, 2008				
Securities sold under repurchase transaction	—	101,463.6	34,644.5	24,496.8
Securities purchased under reverse repurchase transaction	—	23,044.2	1,330.2	—
Year ended March 31, 2007				
Securities sold under repurchase transaction	—	55,823.8	17,020.1	4,760.6
Securities purchased under reverse repurchase transaction	—	5,100.1	110.1	—

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.

17. Lending to sensitive sectors

The Bank has lending to sectors, which are sensitive to asset price fluctuations. The sensitive sectors include capital market and real estate.

The position of lending to capital market is given below:

		As on March 31, 2008	As on March 31, 2007
		(Rupees in million)	
Capital market sector			
i)	Direct investment in equity shares, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt.	29,240.6	12,773.5
ii)	Advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds.	14,324.2	7,763.8
iii)	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security.[1]	423.2	N.A
iv)	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds. [2]	1,692.3	N.A
v)	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market markers.[3]	26,342.6	15,160.8
vi)	Loans sanctioned to corporates against the security of shares/bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources.	—	—
vii)	Bridge loans to companies against expected equity flows/issues.	—	—
viii)	Underwriting commitments taken up by the Bank in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds.	—	—
ix)	Financing to stockbrokers for margin trading.	—	—
x)	All exposures to Venture Capital Funds (both registered and unregistered).	12,805.2	19,499.7
	Total	84,828.1	55,197.8

1 & 2. Revised guideline on capital market exposure is applicable from April 1, 2007. Data up to March 31, 2007 is based on old guidelines.

3. It includes a guarantee of Rs. 3,040.0 million (March 31, 2007: Rs. 3,040.0 million) issued on behalf of a corporate customer to ensure equity capital contribution.

The summary of lending to real estate sector is given below:

	As on March 31, 2008	As on March 31, 2007
	(Rupees in million)	
Real estate sector		
I Direct exposure	779,388.9	751,382.9
i) Residential mortgages,	630,857.6	595,153.0
of which housing loans upto Rs. 1.5/2.0 million[1]	314,071.6	300,137.0
ii) Commercial real estate[2]	137,336.2	142,509.8
iii) Investments in mortgage backed securities (MBS) and other securitised exposure	11,195.1	13,720.1
a. Residential	11,195.1	13,720.1
b. Commercial real estate	—	—
II Indirect exposure	33,613.5	45,785.0
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	20,901.3	30,214.4
Others	12,712.2	15,570.6
Total[3]	813,002.4	797,167.9

1. Figures as on March 31, 2007 are for housing loans up to Rs. 1.5 million.
2. Commercial real estate exposure include loans given to land and building developers for construction, corporates for their real estate requirements and to individuals/firms/corporates against non-residential premises.
3. Excludes non-banking assets acquired in satisfaction of claims.

18. Details of Single Borrower Limit ("SBL"), Group Borrower Limit ("GBL") exceeded by the Bank

During the year ended March 31, 2008, the Bank had no single borrower and group borrower, which exceeded the prudential exposure limits prescribed by RBI.

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 funded country exposure (net) of the Bank in respect of United Kingdom is 1.81% and United States of America is 1.57% of the total funded assets as on March 31, 2008 (as on March 31, 2007: United Kingdom was 0.98% and United States of America was 0.68%). As the net funded exposure to United Kingdom and United States of America exceeds 1% of total funded assets, the Bank has made a provision of Rs. 245.0 million on country exposure as on March 31, 2008 (Provision as on March 31, 2007: Nil).

Risk category	Exposure (net) as on March 31, 2008	Provision held as at March 31, 2008	Exposure (net) as on March 31, 2007	Provision held as at March 31, 2007
	(Rupees in million)			
Insignificant	435,312.7	245.0	277,784.2	—
Low	167,234.5	—	126,883.7	—
Moderate	36,697.3	—	20,616.3	—
High	4,730.7	—	1,565.1	—
Very High	22.1	—	404.3	—
Restricted	—	—	—	—
Off-Credit	—	—	—	—
Total	643,997.3	245.0	427,253.6	—
- of which funded	403,791.3	—	308,348.8	—

20. Advances

The details of movement of gross NPAs, net NPAs and provisions during year ended March 31, 2008 and March 31, 2007 are given in the table below:

	Particulars	Year ended March 31, 2008[3]	Year ended March 31, 2007
		(Rupees in million)	
i)	Net NPAs (funded) to Net Advances (%)	1.55%	1.02%
ii)	Movement of NPAs (Gross)		
	a) Opening Balance	41,260.6	22,225.9
	b) Additions during the year[1, 2]	36,896.6	21,610.0
	c) Reductions during the year[1]	(2,361.8)	(2,575.3)
	d) Closing balance[4]	75,795.4	41,260.6
iii)	Movement of Net NPAs		
	a) Opening Balance	19,920.4	10,526.8
	b) Additions during the year[1, 2]	17,616.3	11,835.8
	c) Reductions during the year[1]	(2,631.2)	(2,442.2)
	d) Closing balance	34,905.5	19,920.4
(iv)	Movement of provisions for NPAs (excluding provisions on standard assets)		
	a) Opening Balance[5]	20,835.9	11,427.5
	b) Provisions made during the year[6]	19,510.7	11,179.5
	c) Write-off/write-back of excess provisions	(913.9)	(1,771.1)
	d) Closing balance[5]	39,432.7	20,835.9

1. Excludes cases added to and deleted from NPAs in the same year with such gross loans amounting to Rs. 2,203.2 million (March 31, 2007: Rs. 7,841.8 million) and such net loans amounting to Rs. 1,968.6 million (March 31, 2007: Rs. 6,770.8 million).
2. The difference between the opening and closing balances of NPAs in retail loans is included in additions during the year.
3. Includes non-performing loans acquired on merger of Sangli Bank.
4. Includes suspended interest and claims received from ECGC/DICGC of Rs. 1,457.2 million (March 31, 2007: Rs. 504.3 million) on working capital loan.
5. Excludes technical write-off amounting to Rs. 6,076.1 million (March 31, 2007: Rs. 6,230.5 million) and suspended interest and claims received from ECGC/DICGC of Rs. 1,457.2 million (March 31, 2007: Rs. 504.3 million).
6. Net of reduction in provisions due to sale of retail non-performing assets.

There was no change in the floating provision of Rs. 2,841.7 million, which is included in the total NPA provision.

21. Financial assets transferred during the year to securitisation company (SC)/reconstruction company (RC)

The Bank has transferred certain assets to Asset Reconstruction Company (India) Limited (ARCIL) 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 trusts managed by ARCIL, the security receipts are valued at their respective NAVs as advised by the ARCIL. The details of the assets transferred during the year ended March 31, 2008 and March 31, 2007 are given in the table below:

		Year ended March 31, 2008	Year ended March 31, 2007
		(Rupees in million, except no. of accounts)	
A	No. of accounts	18,480	19
B	Aggregate value (net of provisions) of accounts sold to SC/RC	9,344.5	8,169.6
C	Aggregate consideration	9,408.2	8,024.7
D	Additional consideration realised in respect of accounts transferred in earlier years[1]	—	—
E	Aggregate gain/(loss) over net book value	63.7	(144.9)

1. During the year ended March 31, 2008, ARCIL fully redeemed security receipts of Nil trusts. The Bank realised Rs. Nil over the gross book value in respect of these trusts (March 31, 2007: Rs. 849.0 million). The Bank also realised an additional amount of Rs. Nil over the gross book value in respect of security receipts already redeemed. Further, the Bank has realised an additional amount of Rs. 7.7 million (March 31, 2007: Rs. 43.5 million) over the gross book value in respect of security receipts not fully redeemed as on March 31, 2008. During the year ended March 31, 2008 security receipts of net book value amounting to Rs. 4,777.9 million were sold to ARCIL at a sale consideration of Rs. 4,820.0 million. The net loss on this transaction was Rs. 100.6 million and provision release was Rs. 142.7 million.

22. Provisions on standard assets

During the year ended March 31, 2007, RBI increased the requirement of general provisioning to 2% on standard loans relating to personal loans, loans and advances qualifying as capital market exposure, credit card receivables, advances to non-deposit taking systemically important non-banking financial companies (NBFCs) and commercial real estate loans. On standard loans for residential housing beyond Rs. 2.0 million, the provisioning requirement was increased to 1% from the earlier level of 0.4%. In accordance with the revised RBI guidelines, a general provision of Rs. 1,590.0 million has been made during the year ended March 31, 2008 (March 31, 2007: Rs. 7,310.0 million). The provision on standard assets held by the Bank in accordance with RBI guidelines was Rs. 14,550.3 million (including Rs. 12.0 million transferred on account of merger of the Sangli Bank Limited effective April 19, 2007) at March 31, 2008 (March 31, 2007: Rs. 12,948.3 million).

23. Provisions and contingencies

The break-up of 'Provisions and contingencies' included in the profit and loss account is given below:

	Year ended March 31, 2008	Year ended March 31, 2007
	(Rupees in million)	
Provisions for depreciation of investments	622.6	419.4
Provision towards non-performing assets	25,419.9	14,283.0
Provision towards standard assets	1,590.0	7,310.0
Provision towards income tax[1]	8,953.7	5,348.2
Provision towards wealth tax	30.0	30.0
Other provision and contingencies	1,413.3	251.3

1. Includes fringe benefit tax amounting to Rs. 392.0 million and creation of net deferred tax asset amounting to Rs. (7,133.6) million

24. Information in respect of restructured assets

Details of loan assets subjected to restructuring are given below:

Particulars	Year ended March 31, 2008			Year ended March 31, 2007		
	No.	Amount	Interest Sacrifice	No.	Amount	Interest Sacrifice
	(Rupees in million)					
i) Total amount of loan assets subjected to restructuring, rescheduling, renegotiation	4	16,757.4[1]	—	5	527.2	—
of which under CDR	2	1,013.7	—	3	273.8	—
ii) The amount of standard assets subjected to restructuring, rescheduling, renegotiation	3	15,795.3[1]	—	4	405.3	—
of which under CDR	2	1,013.7	—	3	273.8	—
iii) The amount of sub-standard assets subjected to restructuring, rescheduling, renegotiation	1	962.1	—	1	121.9	—
of which under CDR	—	—	—	—	—	—
iv) The amount of doubtful assets subjected to restructuring, rescheduling, renegotiation	—	—	—	—	—	—
of which under CDR	—	—	—	—	—	—

1. Includes cases where terms and conditions of the restructuring are being finalised.

Above details exclude cases that were approved by Corporate Debt Restructuring (CDR) forum and disclosed in earlier years by the Bank and in which certain terms and conditions have been modified by CDR Forum during the current year.

During the year ended March 31, 2008, there has been no debt restructuring for small and medium enterprises.

25. Details of non-performing assets purchased/sold, excluding those sold to SC/RC

The Bank has sold certain 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.

	Particulars	Year ended March 31, 2008	Year ended March 31, 2007
		(Rupees in million)	
A	No. of accounts	12,545	—
B	Aggregate value (net of provisions) of accounts sold, excluding those sold to SC/RC	515.3	—
C	Aggregate consideration	499.4	—
D	Aggregate gain/(loss) over net book value	(15.9)	—

26. Fixed Assets

Fixed assets include software acquired by the Bank. The movement in software is given below:

Particulars	Year ended March 31, 2008	Year ended March 31, 2007
	(Rupees in million)	
At cost as on March 31st of preceding year	3,216.4	2,852.7
Additions during the year	1,235.4	455.9
Deductions during the year	(3.0)	(92.2)
Depreciation to date	(2,847.4)	(2,385.9)
Net block	1,601.4	830.5

27. Assets given on lease

There are no assets given under operating lease as at March 31, 2008 and March 31, 2007.

27.1 Assets under finance lease

The details of finance leases are given below:

Particulars	As on March 31, 2008	As on March 31, 2007
	(Rupees in million)	
Total of future minimum lease receipts	353.7	617.3
Present value of lease receipts	325.6	548.8
Unmatured finance charges	28.1	68.5
Maturity profile of future minimum lease receipts		
- Not later than one year	213.3	323.4
- Later than one year and not later than five years	140.4	293.9
- Later than five years	—	—
Total	353.7	617.3

27.2 Maturity profile of present value of lease rentals

The details of maturity profile of present value of finance lease receipts are given below:

Particulars	As on March 31, 2008	As on March 31, 2007
	(Rupees in million)	
Not later than one year	193.0	282.6
Later than one year and not later than five years	132.6	266.2
Later than five years	—	—
Total	325.6	548.8

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, terminations 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, 2007: Rs. 384.0 million) has been charged to revenue being the proportionate amount amortised for the year ended March 31, 2008.

29. Provision for income tax

The provision for income tax (including deferred tax and fringe benefit tax) for the year ended March 31, 2008 amounted to Rs. 8,953.7 million (March 31, 2007: Rs. 5,348.2 million).

The Bank has a comprehensive system of maintenance of information and documents required by transfer pricing legislation under section 92-92F of the Income Tax Act, 1961. The Bank is of the opinion that all international transactions are at arm's length so that the above legislation will not have material impact on the financial statements.

30. Deferred tax

As on March 31, 2008 the Bank has recorded net deferred tax asset of Rs. 13,233.9 million (March 31, 2007: Rs. 6,099.6 million), which has been included in other assets.

The break-up of deferred tax assets and liabilities into major items is given below:

	As on March 31, 2008	As on March 31, 2007
	(Rupees in million)	
Deferred Tax Asset		
Provision for bad and doubtful debts	18,043.3	11,758.5
Capital loss	—	—
Others	1,409.9	884.0
Total Deferred Tax Assets	19,453.2	12,642.5
Deferred Tax Liability		
Depreciation on fixed assets	6,220.5	6,543.3
Others	—	—
Total Deferred Tax Liability	6,220.5	6,543.3
Deferred tax asset pertaining to foreign branches	1.2	0.4
Total net deferred tax asset/(liability)	13,233.9	6,099.6

31. Dividend distribution tax

For the purpose of computation of dividend distribution tax on the proposed dividend, the Bank has reduced the dividend distribution tax on dividend received from its Indian subsidiaries as per the amendment to section 115-O of the Income Tax Act, 1961 vide Finance Bill, 2008, read with Section 294 of the Income Tax Act, 1961.

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 other than credit derivatives is done on a daily basis. Risk monitoring of the credit derivatives portfolio is done on a monthly basis. The Bank measures and monitors risk using Value-at-Risk ("VAR") approach and the relevant sensitivity measures 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 other than credit derivatives is reported on a daily basis. The marked to market position and VAR on the credit derivatives portfolio is reported on a monthly basis.

The use of derivatives for hedging purposes 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.

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. The premium on option contracts is accounted for as per Foreign Exchange Dealers' Association of India guidelines. Derivative transactions are covered under International Swap Dealers Association ("ISDA") master agreements with the respective counter parties. The exposure on account of derivative transactions is computed as per RBI guidelines and is marked against the credit limits approved for the respective counter parties.

Sr. No.	Particulars	As on March 31, 2008 Currency derivatives[1]	Interest rate derivatives[2]
		(Rupees in million)	
1	Derivatives (Notional principal amount)[3]		
	a) For hedging	27,056.3	206,265.5
	b) For trading	993,177.9	6,318,496.0
2	Marked to market positions[4]		
	a) Asset (+)	30,085.1	184.5
	b) Liability (-)	—	—
3	Credit exposure[5]	109,607.8	83,103.4
4	Likely impact of one percentage change in interest rate (100*PV01)[6]		
	a) On hedging derivatives[7]	559.5	8,879.2
	b) On trading derivatives	1,777.8	2,270.7
5	Maximum and minimum of 100*PV01 observed during the year		
	a) On hedging[7]		
	Maximum	(11.6)	(4,268.4)
	Minimum	(714.7)	(9,467.8)
	b) On trading		
	Maximum	(313.2)	2,809.2
	Minimum	(1,870.9)	464.9

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. Excludes notional amount of options sold for Rs. 597,333.2 million.
4. For trading portfolio including accrued interest. Represents net positions.
5. Includes accrued interest.
6. Amounts given are absolute values.
7. The swap contracts entered for hedging purpose would have an opposite and offsetting impact with the underlying on-balance sheet items.

Sr. No	Particulars	As on March 31, 2007	
		Currency derivatives[1]	Interest rate derivatives[2]
		(Rupees in million)	
1	Derivatives (Notional principal amount)[3]		
	a) For hedging	1,441.0	145,066.4
	b) For trading	730,931.6	2,794,743.1
2	Marked to market positions[4]		
	a) Asset (+)	5,044.8	1,828.6
	b) Liability (-)	—	—
3	Credit exposure	40,376.0	42,433.4
4	Likely impact of one percentage change in interest rate (100*PV01)[5]		
	a) On hedging derivatives[6]	12.5	5,031.7
	b) On trading derivatives	683.7	684.8
5	Maximum and minimum of 100*PV01 observed during the year		
	a) On hedging[6]		
	Maximum	—	(1,098.1)
	Minimum	(14.5)	(5,031.9)
	b) On trading		
	Maximum	1,934.0	1,965.5
	Minimum	(847.8)	(369.5)

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. Excludes notional amount of options sold for Rs. 444,221.2 million.
4. For trading portfolio excluding accrued interest. Represents net positions.
5. Amounts given are absolute values.
6. The swap contracts entered for hedging purpose would have an opposite and offsetting impact with the underlying on-balance sheet items.

The Bank deals in credit derivative instruments including credit default swaps, credit linked notes, collateralised debt obligations and principal protected structures. The notional principal amount of these credit derivatives outstanding at March 31, 2008 was Rs. 12,231.2 million in funded instruments and Rs. 50,568.5 million in non-funded instruments which includes Rs. 200.6 million of protection bought by the Bank. The mark- to- market loss as on March 31, 2008 on the above portfolio was Rs. 5,870.6 million, which has been provided for through the profit and loss account. The profit and loss impact on the above portfolio on account of mark-to-market and realised losses during the year ended March 31, 2008 was a net loss of Rs. 6,848.3 million.

The credit derivatives are marked to market by the Bank based on counter-party valuation quotes, or internal models using inputs from market sources such as Bloomberg/Reuters, counter-parties and FIMMDA.

The Bank offers deposits to customers of its offshore branches with structured returns linked to interest, forex or equity benchmarks. The Bank covers these exposures in the inter-bank market. As on March 31, 2008, the net open position on this portfolio was Rs. 4.0 million with mark-to-market of Rs. 0.1 million as on that date, which has been provided for through profit and loss account.

The notional principal amount of forex contracts classified as hedging amounted to Rs. 393,701.5 million (March 31, 2007: Rs. 288,639.6 million).

The notional principal amount of forex contracts classified as trading amounted to Rs. 2,678,010.8 million (March 31, 2007: Rs. 1,042,920.8 million).

The net overnight open position at March 31, 2008 was Rs. 2,584.5 million (March 31, 2007: Rs. 1,279.7 million).

33. Forward rate agreement ("FRA")/Interest rate swaps ("IRS")

The details of the forward rate agreements/interest rate swaps are given below:

	Particulars	As on March 31, 2008	As on March 31, 2007
		(Rupees in million)	
i)	The notional principal of rupee swap agreements[1]	5,618,122.6	2,389,261.3
ii)	Losses which would be incurred if all counter parties failed to fulfil their obligations under the agreement	37,181.6	37,605.4
iii)	Collateral required by the Bank upon entering into swaps	—	—
iv)	Concentration of credit risk arising from the rupee swaps[2]	307.5	657.9
v)	The fair value of rupee trading swap book[3]	(120.9)	1,111.4

1. Notional principal of swap agreements includes both hedge and trading portfolio.
2. Credit risk concentration is measured as the highest net receivable under swap contracts from a particular counter-party.
3. Fair value represents dirty mark-to-market.

34. Exchange traded interest rate derivatives

The details of exchange traded interest rate derivatives are given below:

	Particulars	As on March 31, 2008	As on March 31, 2007
		(Rupees in million)	
i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise)		
	a) Euro dollar futures	—	—
	b) Treasury note futures — 10 years	7,021.0	22,476.0
	c) Treasury note futures — 5 years	4,557.6	3,399.0
	d) Treasury note futures — 2 years	1,380.1	N.A
ii)	Notional principal amount of exchange traded interest rate derivatives outstanding (instrument-wise)		
	a) Euro dollar futures	—	—
	b) Treasury note futures — 10 years	—	652.1
	c) Treasury note futures — 5 years	—	130.4
	d) Treasury note futures — 2 years	—	—
iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective " (instrument-wise)	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

Note: All the transactions in exchange traded derivatives have been entered into by foreign branches for trading portfolio.

35. Penalties/fines imposed by RBI and other regulatory bodies

There were no penalties imposed by RBI during the year ended March 31, 2008 (March 31, 2007: Rs. Nil).

Securities and Futures Commission (SFC), Hong Kong had charged the Bank with carrying on the business of dealing in securities in Hong Kong without having a license to do so. Pursuant to the charges preferred vide issue of summons on March 30, 2007 and the submissions of SFC and the Bank, the Eastern Magistrate's Court, Hong Kong, on April 10, 2007, fined the Bank a sum of HKD 40,000 (Rs. 0.2 million) and required the Bank to reimburse investigation costs to SFC.

36. Premium amortisation

As per general clarification from RBI dated July 11, 2007 on circular DBOD.BP.BC.87/21.04.141/2006-07 dated April 20, 2007, the Bank has deducted the amortisation of premium on government securities from "Income on investment" in Schedule 13, which was earlier included in "Profit/(Loss) on revaluation of investments (net)" in Schedule 14.

37. Small and micro industries

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments.

38. Farm loan waiver

The Union Finance Minister, in his budget proposal for Financial Year 2008-09, announced a debt relief scheme for farmers, which would cover agricultural loans disbursed by scheduled commercial banks, regional rural banks and co-operative credit institutions up to March 31, 2007, overdue as on December 31, 2007 and which remained unpaid upto February 28, 2008. The Bank has not considered any expected receipts and has retained provisions on all eligible loans as per its current provisioning norms, pending the quantification and acceptance of its claims as per guidelines of the debt relief scheme.

39. Disclosure of complaints

The movement of the outstanding numbers of complaints is given below:

	Particulars	Year ended March 31, 2008[1]	Year ended March 31, 2007
a)	No. of complaints pending at the beginning of the year	579	777
b)	No. of complaints received during the year	185,431	35,462
c)	No. of complaints redressed during the year	184,147	35,660
d)	No. of complaints pending at the end of the year	1,863	579

1. Includes,

   a) complaints received via customer service touch points (phone banking) with effect from October 1, 2007,

   b) complaints received through e-mail with effect from April 1, 2007.

   c) The number of complaints are not comparable with the previous year due to the implementation of the above complaint tracking mechanism during the year.

The details of awards during the year is given below:

	Particulars	Year ended March 31, 2008	Year ended March 31, 2007
a)	No. of unimplemented awards at the beginning of the year	4[1]	0
b)	No. of awards passed by the Banking Ombudsmen during the year	7	7
c)	No. of awards implemented during the year	6	3
d)	No. of unimplemented awards at the end of the year	1	4

1. The 4 awards pending as on March 31, 2007, had become null and void, as customers did not accept them.

40. Change in estimate in the retail agriculture loan portfolios provisioning

During the year, the Bank has changed its basis of estimating provisions in respect of certain retail agriculture loan portfolios. The impact of the change on the profit after tax for the year ended March 31, 2008 is not significant.

41. Comparative figures

Figures for the previous year have been regrouped wherever necessary, to conform to the current year's presentation.

SIGNATURES TO SCHEDULES 1 TO 19

For and on behalf of the Board of Directors

N. Vaghul
Chairman

K. V. Kamath
Managing Director & CEO

Chanda D. Kochhar
Joint Managing Director & CFO

V. Vaidyanathan
Executive Director

Madhabi Puri Buch
Executive Director

Sonjoy Chatterjee
Executive Director

Sandeep Batra
Group Compliance Officer
& Company Secretary

Rakesh Jha
Deputy Chief Financial Officer

Charanjit Attra
General Manager & Chief Accountant

Place: Mumbai
Date: April 26, 2008

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US$1,000,000,000

ICICI Bank Limited, acting through its Hong Kong branch

5.75% Notes due 2020

Issue Price: 99.542%

OFFERING MEMORANDUM

Barclays Capital

Citi

Deutsche Bank

November 8, 2010