



ICICI Bank Limited

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(We were originally incorporated as ICICI Banking Corporation Limited on January 5, 1994 and subsequently renamed as ICICI Bank Limited on September 10, 1999.)

Prospectus

Dated: June 26, 2007

Please read Section 60B of the Companies Act, 1956

100% Book Building Issue

PUBLIC ISSUE OF 94,663,600 EQUITY SHARES* OF Rs. 10 EACH FOR CASH AT A PRICE OF Rs. 940.0 PER EQUITY SHARE (INCLUDING A SHARE PREMIUM OF Rs. 930.0 PER EQUITY SHARE) FOR NON INSTITUTIONAL AND QIB BIDDERS AND Rs. 890.0 (INCLUDING A SHARE PREMIUM OF Rs. 880.0 PER EQUITY SHARE) FOR EXISTING RETAIL SHAREHOLDERS AND RETAIL BIDDERS AGGREGATING Rs. 87,500.0 MILLION REFERRED TO HEREIN AS THE "ISSUE". THE ISSUE COMPRISES A NET ISSUE TO THE PUBLIC OF UP TO 92,878,698 EQUITY SHARES OF Rs. 10 EACH AGGREGATING Rs. 85,911.4 MILLION (THE "NET ISSUE") AND A RESERVATION FOR EXISTING RETAIL SHAREHOLDERS OF THE BANK OF 1,784,902 EQUITY SHARES OF Rs. 10 EACH AGGREGATING Rs. 1,588.6 MILLION ("EXISTING RETAIL SHAREHOLDERS RESERVATION PORTION"). THE ISSUE SHALL HAVE A GREEN SHOE OPTION OF 14,197,011 EQUITY SHARES OF Rs. 10 EACH AT A PRICE OF Rs. 940.0 PER EQUITY SHARE FOR NON-INSTITUTIONAL AND QIB BIDDERS AND Rs. 890.0 FOR EXISTING RETAIL SHAREHOLDERS AND RETAIL BIDDERS FOR CASH AGGREGATING Rs. 13,125.0 MILLION. THE ISSUE SIZE WOULD BE UP TO Rs. 87,500.0 MILLION ASSUMING NO EXERCISE OF THE GREEN SHOE OPTION AND UP TO Rs. 100,625.0 MILLION ASSUMING THE GREEN SHOE OPTION IS FULLY EXERCISED. THE ISSUE WOULD CONSTITUTE 9.5% OF THE FULLY DILUTED POST ISSUE PAID UP CAPITAL OF ICICI BANK LIMITED ("BANK" OR "ISSUER"), ASSUMING NO EXERCISE OF THE GREEN SHOE OPTION AND UPTO 10.8% ASSUMING THE GREEN SHOE OPTION IS FULLY EXERCISED.**

ISSUE PRICE OF Rs. 940.0 PER EQUITY SHARE OF FACE VALUE Rs. 10 FOR NON INSTITUTIONAL AND QIB BIDDERS AND Rs. 890.0 FOR EXISTING RETAIL SHAREHOLDERS AND RETAIL BIDDERS

* The total number of Equity Shares issued may be required to be adjusted *inter alia* for the Rs. 50 discount to be offered to Existing Retail Shareholders and Retail Bidders, pursuant to completion of Book Building Process.

** Post Issue paid up capital assuming all Shares are fully paid up.

ICICI Bank has obtained the approval of its shareholders through postal ballot to issue Equity Shares up to (including a Green Shoe Option) of 25% of ICICI Bank's authorised Equity Share capital. ICICI Bank proposes to undertake this Issue and an issue of American Depositary Shares of up to Rs. 100,625.0 million including a green shoe option ("ADS Offering"). This Issue and the ADS Offering are part of a consolidated capital raising exercise being undertaken by ICICI Bank. ICICI Bank at its discretion may decide to withdraw the ADS Offering at any time up to the time of pricing of the ADS Offering.

This Prospectus may not be distributed to any U.S. person or into the United States of America or any other jurisdiction outside India where such distribution would be unlawful. Any public offering and sale of American Depositary Shares to investors in the United States of America will be registered with the United States Securities and Exchange Commission and made by means of a U.S. prospectus that will contain consolidated financial statements prepared in accordance with Indian GAAP, with a reconciliation of net income and stockholders' equity to US GAAP.

The Issue is being made through the 100% book building process where not less than 50% of the Net Issue shall be available for allocation on a proportionate basis to Qualified Institutional Buyers ("QIBs") (including 5% of the QIB portion that would be specifically reserved for Mutual Funds). Further, not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Bidders, subject to valid Bids being received at or above the Issue Price. The Bank, in consultation with the BRLMs and the CBRLMs, may decide to allot the Equity Shares to Existing Retail Shareholders and Retail Bidders at a differential lower price as compared to the price for QIBs and Non Institutional Bidders. The price payable by the Existing Retail Shareholders and Retail Bidders shall be at such discount as decided by the Bank in consultation with the BRLMs and the CBRLMs and notified before the Bid / Issue Opening Date.

Amount Payable	Retail Bidders and Existing Retail Shareholder	Non-Institutional Bidders	QIBs
Payment Method -1 (Partly paid up)			
On submission of Bid-cum-Application Form	Rs. 250	Rs. 250	10% of Bid Amount (QIB Margin Amount)
CAN	-	-	Rs. 250 less QIB Margin Amount
On Allotment	Rs. 250	Balance Amount Payable	Balance Amount Payable
On one call (within 6 months)	Balance Amount Payable less Retail Discount	-	-
Or			
Payment Method -2			
On submission of Bid-cum-Application Form	100% of the Bid Amount less Retail Discount	100% of the Bid Amount	10% of the Bid on submission of Bid-cum-Application Form and Balance on Allocation

Note: Non-Residents require the approval of RBI for subscribing to partly paid up Equity Shares and copy of such approval should be submitted along with the Bid-cum-Application Form.

* See page xxvii for risks associated with Payment Method - 1

RISK IN RELATION TO THE ISSUE

The face value of the shares is Rs. 10 and the Issue Price is 94 times of the face value. The Issue Price (as determined by the Bank in consultation with the BRLMs and the CBRLMs on the basis of assessment of market demand for the Equity Shares by way of book building) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares or regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISKS

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Bank and the Issue including the risks involved. The Equity Shares offered in the Issue have not been recommended or approved by the Securities and Exchange Board of India ("SEBI"), nor does SEBI guarantee the accuracy or adequacy of this Prospectus. Specific attention of the investors is invited to the section titled "Risk Factors" on page xi of this Prospectus.

ISSUER'S ABSOLUTE RESPONSIBILITY

ICICI Bank having made all reasonable inquiries, accepts responsibility for and confirms that this Prospectus contains all information with regard to the Bank and the Issue, which is material in the context of the Issue, that the information contained in this Prospectus is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

The Equity Shares offered through the Red Herring Prospectus are proposed to be listed on the National Stock Exchange of India Limited and the Bombay Stock Exchange Limited, where the Bank's existing Equity Shares are listed. ICICI Bank has received in principle approval from the National Stock Exchange of India Limited and the Bombay Stock Exchange Limited, for the listing of the Equity Shares pursuant to their letters dated May 30, 2007 and May 31, 2007, respectively. The National Stock Exchange of India Limited is the Designated Stock Exchange for this Issue.

BOOK RUNNING LEAD MANAGERS

 Goldman Sachs (India) Securities Private Limited 249-B, Neelam Centre, 2nd Floor A Wing, Hind Cycle Road, Worli Mumbai - 400 018, India Tel: 91-22- 6616 9000 Fax: 91-22-6616 9090 Email: icicibank_issue@gs.com Contact Person: Sachin Dua Website: www.gs.com/country_pages/india	 DSP Merrill Lynch Limited Mafatal Centre, 10 th Floor Nariman Point Mumbai 400 021 Tel: 91-22-2262 1071 Fax: 91-22-2204 8518 Email: ICICI_fpo@ml.com Contact Person: N.S. Shekhar Website: www.dspml.com	 Enam Financial Consultants Private Limited 801/ 802, Dalamal Towers Nariman Point Mumbai 400 021, India Tel: 91-22-6638 1800 Fax: 91-22-2284 6824 Email: icicibankfpo@enam.com Contact Person: Mr. Amit Jain Website: www.enam.com	 JM Financial Consultants Private Limited 141, Maker Chambers III Nariman Point Mumbai 400 021 Tel: 91-22-6630 3030 Fax: 91-22-2202 8224 Email: icicifpo@jmfincial.in Contact Person: Ms. Poonam Karande Website: www.jmfincial.in	 Karvy Computershare Private Limited Plot No. 17-24, Vitthal Rao Nagar Madhapur Hyderabad 500 081 Tel: +91-40-2342 0818 Fax: +91-40-2342 0814 Email: icici_fpo@karvy.com Contact Person: Mr. Murali Krishna Website: www.karvy.com
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ISSUE PROGRAM

BID/ISSUE OPENED ON : TUESDAY, JUNE 19, 2007 BID/ISSUE CLOSED ON : FRIDAY, JUNE 22, 2007

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DEFINITIONS AND ABBREVIATIONS

Certain Definitions

ICICI Limited, ICICI Personal Financial Services Limited and ICICI Capital Services Limited amalgamated with and into ICICI Bank Limited, effective March 30, 2002 for accounting purposes under Indian GAAP. In this Prospectus, all references to "ICICI Bank", "the Company", "the Bank", "we", "our" and "us" are, as the context requires, to ICICI Bank Limited on an unconsolidated basis subsequent to the amalgamation, to ICICI Bank Limited on an unconsolidated basis prior to the amalgamation, or to both. References to specific data applicable to particular subsidiaries, joint ventures, associates and other consolidated entities are made by reference to the name of that particular company or entity. References to "ICICI" are to ICICI Limited on an unconsolidated basis prior to the amalgamation. References to "ICICI Personal Financial Services" are to ICICI Personal Financial Services Limited. References to "ICICI Capital Services" are to ICICI Capital Services Limited. References to the "amalgamation" are to the amalgamation of ICICI, ICICI Personal Financial Services and ICICI Capital Services with and into ICICI Bank. References to the "Scheme of Amalgamation" are to the Scheme of Amalgamation of ICICI, ICICI Personal Financial Services and ICICI Capital Services with ICICI Bank.

In the financial statements contained in this Prospectus and the notes thereto, all references to "the Bank" are, as the context requires, to ICICI Bank Limited on an unconsolidated basis subsequent to the amalgamation, to ICICI Bank Limited on an unconsolidated basis prior to the amalgamation, or to both. All references to "the Group" are to ICICI Bank, its subsidiaries, joint ventures and associates on a consolidated basis.

Issue Related Terms

Term	Description
ADR	American Depositary Receipts.
American Depositary Shares/ ADS	American Depositary Shares representing two Equity Shares.
ADS Offering	Issue of American Depositary Shares including, the ADS Green Shoe Option, aggregating up to Rs. 100,625.0 million by ICICI Bank proposed to be offered to investors in the international markets including the United States of America, in compliance with applicable laws.
ADS Green Shoe Option	An option to allocate ADSs in excess of the ADSs included in the base ADS Offering and operate a post-listing price stabilisation mechanism in accordance with applicable laws.
AGM	Annual General Meeting.
Allocation Amount	The amount payable by a Bidder on or prior to the Pay-in Date after deducting any Bid Amounts that may already have been paid by such Bidder.
Allotment	Allotment of Equity Shares under this Issue herein.
Amount Payable on submission of Bid-cum-Application Form	The amount specified under Payment Method-1 or Payment Method-2, as the case may be.
Articles / Articles of Association	Our Articles of Association.
Auditors	Our statutory auditors, BSR & Co., Chartered Accountants who became our statutory auditors in fiscal 2007.
Balance Amount Payable	Issue Price less amount already paid, net of refund and Retail Discount, and amount paid on receipt of CAN or the revised CAN in the case of QIB Bidders, for which (i) in case of QIBs and Non-Institutional Bidders, a Call Notice shall be issued by the Bank on the date of Allotment; and (ii) in case of Retail Bidders, two Call Notices shall be issued by the Bank, first on the date of Allotment and the second within a period for 6 months from the date of Allotment. This is not applicable to Payment Method 2.

ICICI BANK LIMITED

Term	Description
Banker to the Issue/ Escrow Collection Bank	ICICI Bank Limited.
Bid	An indication to make an offer made during the Bidding Period by a prospective investor to subscribe to our Equity Shares at a price at or above the Floor Price, including all revisions and modifications thereto.
Bid Amount	The highest value of the optional Bids indicated in the Bid-cum-Application Form.
Bid / Issue Closing Date	The date after which the Syndicate will not accept any Bids for the Issue, which shall be notified in a widely circulated English national newspaper, a Hindi national newspaper and a Gujarati newspaper.
Bid-cum-Application Form	The form in which the Bidder shall make an offer to purchase our Equity Shares in terms of the Red Herring Prospectus.
Bid / Issue Opening Date	The date on which the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in a widely circulated English national newspaper, a Hindi national newspaper and a Gujarati newspaper.
Bidder	Any prospective investor who Bid pursuant to the terms of the Red Herring Prospectus.
Bidding Period / Issue Period	The period between the Bid/ Issue Opening Date and the Bid/ Issue Closing Date inclusive of both days and during which prospective Bidders their Bids.
Board of Directors / Board	Our Board of Directors or a committee thereof.
Book Building Process / Method	Book building route as provided in Chapter XI of the SEBI Guidelines, in terms of which this Issue is being made.
BRLMs	Book Running Lead Managers to the Issue, being Goldman Sachs (India) Securities Private Limited, DSP Merrill Lynch Limited, Enam Financial Consultants Private Limited and JM Financial Consultants Private Limited.
BSE	Bombay Stock Exchange Limited.
Call Notice	A notice issued by the Bank for payment of the Balance Amount Payable in respect of partly paid Equity Shares.
CAN / Confirmation of Allocation Note	Means the note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process.
Cap Price	The price advertised by us prior to the Bid/Issue Opening Date and above which the Issue Price will not be finalized and above which the Bidder cannot Bid.
CDSL	Central Depository Services (India) Limited.
CBRLMs	Co-Book Running Lead Managers to the Issue, being ICICI Securities Primary Dealership Limited, JP Morgan India Private Limited and CLSA India Limited.
CLSA	CLSA India Limited.

Term	Description
Corporate Office	ICICI Bank Towers, Bandra Kurla Complex, Mumbai 400 051.
Cut-off Price	The Issue Price finalized by us in consultation with the BRLMs and CBRLMs.
Depositories Act	The Depositories Act, 1996, as amended from time to time.
Depository	A body corporate registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time.
Depository Participant	A depository participant as defined under the Depositories Act.
Designated Date	The date on which funds are transferred from the Escrow Account to the Public Issue Account after the Prospectus is filed with the RoC, following which the Board of Directors shall allot Equity Shares to successful Bidders.
Designated Stock Exchange	The National Stock Exchange of India Limited.
Directors	Unless otherwise specified, the directors of ICICI Bank Limited.
Draft Red Herring Prospectus	The Draft Red Herring Prospectus filed with SEBI on May 11, 2007.
DSPML	DSP Merrill Lynch Limited.
Due Date for Payment of Balance Amount Payable	Last date for payment of the Balance Amount Payable, which shall be a date falling 21 days from date of issue of a Call Notice by the Bank. This is not applicable to Payment Method 2.
Enam	Enam Financial Consultants Private Limited.
Equity Shares	Our equity shares of face value of Rs. 10/- each.
Escrow Account	Account opened with Escrow Collection Bank and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid and the Allocation Amount thereafter.
Escrow Agreement	Agreement to be entered into by us, the Registrar to the Issue, BRLMs, CBRLMs, the Syndicate Members and the Escrow Collection Bank for collection of the Bid Amounts, and where applicable, refunds of the amounts collected to the Bidders.
ESOS	The Employee Stock Option Scheme framed by the Bank in accordance with the SEBI Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines, 2000 as amended and approved by the shareholders.
Existing Retail Shareholders	Natural persons including Individual Bidders and HUFs who are holders of Equity Shares of the Bank as on June 13, 2007 and who hold Equity Shares worth not more than Rs. 100,000 determined on the basis of the closing price of the Equity Shares on the NSE on the previous day to the date above.
Existing Retail Shareholders Reservation Portion	The portion of the Issue being a maximum of 4,915,731 Equity Shares aggregating Rs. 4,375.0 million, being 5% of the Issue, available for allocation to Existing Retail Shareholders.
FCNR Account	Foreign Currency Non Resident Account.
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed thereunder.

ICICI BANK LIMITED

Term	Description
FERA	Foreign Exchange Regulation Act, 1973, now repealed.
FII/ Foreign Institutional Investor	Foreign institutional investor (as defined under SEBI (Foreign Institutional Investors) Regulations, 1995) registered with SEBI under applicable laws in India.
FIPB	Foreign Investment Promotion Board, Ministry of Finance, Government of India.
First Bidder	The Bidder whose name appears first in the Bid-cum-Application Form or Revision Form.
Floor Price	The price advertised by us prior to the Bid/Issue Opening Date and below which the Issue Price will not be finalised and below which the Bidder cannot Bid.
FVCI / Foreign Venture Capital Investor	Foreign venture capital investor [as defined under SEBI (Venture Capital Funds) Regulations, 1996] registered with SEBI under applicable laws in India.
GIR Number	General Index Registry Number.
Green Shoe Option	An option to the BRLMs/ CBRLMs / Issuer in consultation with the Stabilising Agent, to allocate Equity Shares in excess of the Equity Shares included in the public issue and operate a post-listing price stabilisation mechanism in accordance with Chapter VIII-A of the SEBI Guidelines, which is granted to a company to be exercised through a stabilising agent.
Green Shoe Option Portion	14,197,011 Equity Shares of Rs. 10 each aggregating upto Rs. 13,125.0 million.
Green Shoe Lender	Life Insurance Corporation of India.
GSO Bank Account	The bank account opened by the Stabilising Agent under the Stabilising Agreement.
GSO Demat Account	The demat account opened by the Stabilising Agent under the Stabilising Agreement.
GSSPL	Goldman Sachs (India) Securities Private Limited.
HUF	Hindu Undivided Family.
ICICI Securities or I-Sec	ICICI Securities Primary Dealership Limited (formerly known as ICICI Securities Limited).
Issue	The issue of 94,663,600 Equity Shares of Rs. 10/- each at a price of Rs. 940.0 each for Non-Institutional and QIB Bidders and Rs. 890.0 for Existing Retail Shareholders and Retail Bidders for cash by us aggregating Rs. 87,500.0 million.
Issue Price	The final price being Rs. 940.0 at which Equity Shares will be issued and allotted in terms of this Prospectus. The Issue Price is decided by us in consultation with the BRLMs and CBRLMs on the Pricing Date.
I.T. Act	The Income Tax Act, 1961, as amended from time to time.
JMFC	JM Financial Consultants Private Limited (formerly known as JM Morgan Stanley Private Limited).

Term	Description
JPM	JP Morgan India Private Limited.
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid in accordance with the terms of the relevant Payment Method.
Memorandum/ Memorandum of Association	Our Memorandum of Association.
Mutual Funds	Mutual funds registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996.
Mutual Funds Portion	Upto 5% of the QIB Portion or 2,210,771 Equity Shares aggregating Rs. 2,078.1 million available for allocation to Mutual Funds only, out of the QIB portion on a proportionate basis.
Net Issue/Net Issue to the public	The Issue less the allocation to the Existing Retail Shareholders.
Non-Institutional Bidders	All Bidders that are not Qualified Institutional Buyers or Retail Bidders and who have made a Bid for Equity Shares for an amount more than Rs. 100,000.
Non-Institutional Portion	The portion of the Net Issue being at least 13,264,628 Equity Shares of Rs. 10/- each at the Issue Price of Rs. 940 each aggregating Rs. 12,468.7 million and available for allocation to Non-Institutional Bidders.
Non-Residents	Non-Resident is a Person resident outside India, as defined under FEMA and includes a Non-resident Indian.
NRE Account	Non Resident External Account.
NRI/ Non-Resident Indian	A person resident outside India, as defined in FEMA, and who is a citizen of India or a person of Indian origin, as defined under FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000.
NSDL	National Securities Depository Limited.
NSE	The National Stock Exchange of India Limited.
OCB	An Overseas Corporate Body, as defined under the Foreign Exchange Management (Deposit) Regulations, 2000.
Over Allotment Shares	Equity Shares allotted pursuant to the Green Shoe Option.
Pay-in Date	Bid/Issue Closing Date or the last date specified in the CAN sent to Bidders, as applicable.
Pay-in Period	The period commencing on the Bid/Issue Opening Date and extending until the closure of the Pay-in Date(s).
Payment Method	Either of Payment Method -1 or Payment Method- 2 chosen by the Bidder.
Payment Method-1	Amount Payable on submission of Bid-cum-Application Form in case of Retail Bidders, Existing Retail Shareholders and Non-Institutional Bidders is Rs. 250 per Equity Share, such that it shall not be less than 25% of the Issue Price. Amount Payable on submission of Bid-cum-Application Form by QIB Bidders shall be 10% of the Bid Amount. All Non Resident Bidders availing the option of Payment Method-1 are required to submit a copy of an approval from the RBI allowing them to subscribe to the partly-paid up Equity Shares. Under Payment Method – 1, out of amount paid at the time of Bidding, Rs. 9 is towards face value and Rs. 241 is towards premium in case of Retail Bidders and Existing Retail Shareholders and in case of Non-Institutional Bidders and QIBs (including amount paid upon receipt of CAN), Rs. 9.50 is towards face value and Rs. 240.5 is towards premium.

ICICI BANK LIMITED

Term	Description
Payment Method-2	Amount Payable on submission of Bid-cum-Application Form in case of Existing Retail Shareholders and Retail Bidders is 100% of Bid Amount less the Retail Discount, 100 % of the Bid Amount in case of Non-Institutional Bidders and in case of QIBs is 10% of the Bid Amount with balance being payable on allocation.
Price Band	Price band of a minimum price (floor of the price band) of Rs. 885 and a maximum price (cap of the price band) of Rs. 950 and including revisions thereof. The Price Band and the minimum Bid lot size for the Issue was decided by us in consultation with the BRLMs and the CBRLMs and advertised in an English national newspaper with wide circulation, a Hindi national newspaper with wide circulation and Vadodara Edition of a regional language newspaper at least one day prior to the Bid/Issue Opening Date.
Pricing Date	The date on which we in consultation with the BRLMs and CBRLMs finalise the Issue Price.
Prospectus	This Prospectus containing, <i>inter alia</i> , the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information.
Public Issue Account	Account opened with the Banker to the Issue to receive monies from the Escrow Account for the Issue on the Designated Date.
Qualified Institutional Buyers or QIBs	Public financial institutions as specified in Section 4A of the Companies Act, FIs registered with SEBI, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250.0 million and pension funds with minimum corpus of Rs. 250.0 million.
QIB Portion	The portion of the Net Issue being at least 44,215,426 Equity Shares of Rs. 10 each at an Issue Price of Rs. 940 each aggregating Rs. 41,562.5 million and available for allocation to QIBs.
RHP or Red Herring Prospectus	The Red Herring Prospectus dated June 13, 2007 filed with the Registrar of Companies, Gujarat.
Registered Office	Our registered office, being 'Landmark', Race Course Circle, Vadodara 390 007.
Registrar to the Issue	Registrar to the Issue, in this case being Karvy Computershare Private Limited having its registered office as indicated on the cover page of this Prospectus.
Retail Bidder(s)	Individual Bidders (including HUFs and NRIs) who have Bid for Equity Shares for a cumulative Amount Payable on Application and Balance Amount Payable (as the case may be, based on the Payment Method selected) of not more than Rs. 100,000 (net of Retail Discount, if any).
Retail Discount	The difference between the Issue Price and the differential lower price at which the Bank, in consultation with the BRLMs and the CBRLMs has decided to allot the Equity Shares to Existing Retail Shareholders and Retail Bidders as compared to the price for QIBs and Non Institutional Bidders, being Rs. 50 per share.

Term	Description
Retail Portion	The portion of the Net Issue being at least 32,689,607 Equity Shares of Rs. 10/- each at an Issue Price of Rs. 890.0 each aggregating Rs. 29,093.7 million and available for allocation to Retail Bidder(s).
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid price in any of their Bid-cum-Application Forms or any previous Revision Form(s).
RoC	Registrar of Companies, Gujarat at Ahmedabad.
Sangli Bank	Erstwhile The Sangli Bank Limited, which amalgamated with us effective April 19, 2007.
SCRA	Securities Contracts (Regulation) Act, 1956, as amended from time to time.
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time.
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act.
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time.
SEBI Guidelines	SEBI (Guidelines for Disclosure and Investor Protection) 2000 issued by SEBI effective from January 27, 2000, as amended, including instructions and clarifications issued by SEBI from time to time.
Securities Act	United States Securities Act of 1933, as amended from time to time.
Stabilising Agent or SA	DSPML
Stabilising Agreement	Agreement entered into by us, the Green Shoe Lender and the Stabilising Agent on June 11, 2007 in relation to the Green Shoe Option.
Stabilisation Period	The period not exceeding 30 days from the date of obtaining trading permission from the Stock Exchanges for the Equity Shares under the Issue.
Stock Exchanges	BSE and NSE.
Syndicate	The BRLMs, CBRLMs and the Syndicate Members.
Syndicate Agreement	Agreement between the Syndicate and us.
Syndicate Members	Enam Securities Private Limited, JM Financial Services Private Limited and ICICI Securities Limited.
TRS/ Transaction Registration Slip	The slip or document issued by the Syndicate to the Bidder as proof of registration of the Bid.
Underwriters	The BRLMs, CBRLMs and Syndicate Members.
Underwriting Agreement	The Agreement between the Underwriters and us to be entered into on the Pricing Date.

ICICI BANK LIMITED

Technical and Industry Terms

Term	Description
ATM	Automated Teller Machine.
DRT	Debt Recovery Tribunal.
GDP	Gross Domestic Product.
IRR	Internal rate of return.
NPA	Non-Performing Asset(s).
OTCEI	Over the Counter Exchange of India.
RBI	The Reserve Bank of India.
IRDA	Insurance Regulatory and Development Authority.
AMFI	Association of Mutual Funds in India.
Securitisation Act	The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, as amended from time to time.
Statutory Liquidity Ratio or SLR	Statutory Liquidity Ratio prescribed by RBI under the Banking Regulation Act.
Cash Reserve Ratio or CRR	Cash Reserve Ratio prescribed by RBI under the Reserve Bank of India Act.
Net Standard Assets	Performing assets, net of write-offs, provisions and interest suspense.
Tier I capital adequacy ratio	Tier I capital adequacy ratio is Tier I capital divided by the aggregate risk weighted assets. Tier I capital includes paid up capital, other eligible reserves and innovative perpetual instruments eligible for inclusion as Tier I capital, net of equity investments in subsidiaries and intangible assets. Risk weighted assets represents the assets multiplied by the risk weights assigned to each asset class as per the Reserve Bank of India guidelines.

Conventional/General Terms

Term	Description
AS	Accounting Standards issued by the Institute of Chartered Accountants of India.
Banking Regulation Act	The Banking Regulation Act, 1949, as amended from time to time.
Companies Act	The Companies Act, 1956, as amended from time to time.
EGM	Extraordinary General Meeting.
EPS	Earnings per Equity Share.
Financial year/fiscal/FY	The 12 months ended March 31 of a particular year.
Indian GAAP	Generally accepted accounting principles in India.
US GAAP	Generally accepted accounting principles in the United States.

CERTAIN CONVENTIONS; USE OF MARKET DATA

Unless stated otherwise, the financial data in this Prospectus is derived from our unconsolidated financial statements prepared in accordance with Indian GAAP and included in this Prospectus. Our current fiscal year commenced on April 1, 2007 and ends on March 31, 2008. In this Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding-off.

In this Prospectus, unless otherwise specified, all financial numbers in parenthesis represent negative figures.

For definitions, please see the section titled "Definitions and Abbreviations" on page i of this Prospectus.

All references to "India" contained in this Prospectus are to the Republic of India, all references to the "US" or the "U.S." or the "USA", or the "United States" are to the United States of America, and all references to "UK" are to the United Kingdom. All references to "Rupees" or "Rs." are to Indian Rupees, the official currency of the Republic of India.

Unless stated otherwise, industry data used throughout this Prospectus has been obtained from industry publications. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe that industry data used in this Prospectus is reliable, it has not been independently verified.

Except as specifically disclosed, all financial / capital ratios and disclosures regarding Non-Performing Assets in this Prospectus are in accordance with the applicable RBI norms.

FORWARD-LOOKING STATEMENTS

We have included statements in this Prospectus, that contain words or phrases such as “will”, “aim”, “will likely result”, “believe”, “expect”, “will continue”, “anticipate”, “estimate”, “intend”, “plan”, “contemplate”, “seek to”, “future”, “objective”, “goal”, “project”, “should”, “will pursue” and similar expressions or variations of such expressions that are “forward-looking statements”.

All forward-looking statements are subject to risks, uncertainties and assumptions that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from our expectations include, among others:

- General economic and business conditions in India and other countries;
- Our ability to successfully implement our strategy, our growth and expansion plans and technological changes;
- Changes in the value of the Rupee and other currency changes;
- Changes in Indian or international interest rates;
- Changes in laws and regulations that apply to banks in India;
- Changes in political conditions in India; and
- Changes in the foreign exchange control regulations in India.

For further discussion of factors that could cause our actual results to differ, see the section titled “Risk Factors” on page xi of this Prospectus. By their nature, certain risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. We, the members of the Syndicate and their respective affiliates do not have any obligation to, and do not intend to, update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, we, the BRLMs and the CBRLMs will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges.

RISK FACTORS

Prospective investors should carefully consider the risks described below, in addition to the other information contained in this Prospectus before making any investment decision relating to our Equity Shares. The occurrence of any of the following events could have a material adverse effect on our business, results of operation, financial condition and prospects and cause the market price of our Equity Shares to fall significantly and you may lose all or part of your investment.

Prior to making an investment decision, prospective investors should carefully consider all of the information contained in this Prospectus, including the financial statements prepared in accordance with SEBI Guidelines included in this Prospectus beginning on page 174.

Unless otherwise stated in the relevant risk factors set forth below, we are not in a position to specify or quantify the financial or other implications of any of the risks mentioned herein.

INTERNAL RISKS AND RISKS RELATED TO OUR BUSINESS

1. *There are criminal cases pending against us and our directors*

For more details see “Outstanding Litigation and Material Developments – Criminal Cases Against Us on page 333.

There are cases involving alleged violations of securities laws pending against our directors and we have been issued show cause notices and levied penalties for violations of securities laws. For example, SEBI had made allegations of insider trading against Hindustan Lever Limited (HLL) and five of its directors including Mr. M. K. Sharma, who is also our director, and further had proceeded to hold HLL and the said directors guilty. This order of SEBI was set aside by the appellate authority and the latter absolved HLL and the directors of HLL of this charge. However SEBI has filed a writ petition before the Bombay High Court challenging this order of the appellate authority. SEBI has prosecuted HLL (and the aforesaid five directors including Mr. M. K. Sharma) and these proceedings are pending. For more details see “Outstanding Litigation and Material Developments - Show Cause Notices and Penalties Against Us” on page 336 and “Outstanding Litigation and Material Developments-Cases Against Our Directors” on page 338.

2. *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 RBI, we are more structurally exposed to interest rate risk than banks in many other countries. See “Regulations and Policies — Legal Reserve Requirements” on page 111. These requirements result in our maintaining a large portfolio of fixed income Government of India securities, and we could be materially adversely impacted by a rise in interest rates, especially if the rise were sudden or sharp. These requirements also have a negative impact on our net interest income and net interest margin because we earn interest on a portion of our assets at rates that are generally less favorable than those typically received on our other interest-earning assets. If the yield on our interest-earning assets does not increase at the same time or to the same extent as our cost of funds, or if our cost of funds does not decline at the same time or to the same extent as the yield on our interest-earning assets, our net interest income and net interest margin is adversely impacted. During the last quarter of fiscal 2007, the Indian markets experienced volatility and sharp increases in interest rates and we experienced a sharp increase in our funding

costs, which may adversely impact our net interest income, net interest margin and financial performance during fiscal 2008. We are also exposed to interest rate risk through our treasury operations and our subsidiary, ICICI Securities Primary Dealership Limited, which is a primary dealer in Government of India securities. A rise in interest rates or greater interest rate volatility could adversely affect our income from treasury operations or the value of our fixed income securities trading portfolio. Sharp and sustained increases in the rates of interest charged on floating rate home loans, which are a material proportion of our loan portfolio, would result in extension of loan maturities and higher monthly installments due from borrowers, which could result in higher rates of default in this portfolio.

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

Our net non-performing assets were Rs. 20.19 billion, representing 0.98% of our net customer assets at year-end fiscal 2007, compared to Rs. 10.75 billion representing 0.71% of our net customer assets at year-end fiscal 2006. For definition of non-performing assets see "Business – Asset Composition and Classification – Classification of Loans" on page 76. Since 2001, we have experienced rapid growth in our retail loan portfolio. Recently, we have experienced rapid growth in the portfolio of non-collateralized retail loans including unsecured personal loans. Unsecured personal loans contributed 9.6% of our retail loans and 6.3% of our total advances at year-end fiscal 2007 compared to 6.3% and 4.0% respectively at year-end fiscal 2006 and 4.4% and 2.7% respectively at year-end fiscal 2005. See "Business — Asset Composition and Classification — Loan Concentration" on page 76. Various factors, including a rise in unemployment, prolonged recessionary conditions, a sharp and sustained rise in interest rates, developments in the Indian economy, movements in global commodity markets and exchange rates and global competition could cause an increase in the level of non-performing assets on account of these retail loans and have a material adverse impact on the quality of our loan portfolio. In addition, under the directed lending norms of RBI, we are required to extend 50.0% of our residual net bank credit (excluding the advances of ICICI at year-end fiscal 2002) to certain eligible sectors, which are categorized as "priority sectors". See "Business — Asset Composition and Classification — Loan Concentration — Directed Lending" on page 79. We may experience a significant increase in non-performing assets in our directed lending portfolio, particularly loans to the agricultural sector and small-scale industries, where we are less able to control the portfolio quality and where economic difficulties are likely to affect our borrowers more severely. Any change by RBI 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 "Our rapid retail expansion in India and our rural initiative expose us to increased risk that may adversely affect our business" on page xiii and "We have experienced rapid international growth in the last three years which has increased the complexity of risks that we face" on page xiii. We may not be able to control or reduce the level of non-performing assets in our project and corporate finance portfolio. We may not be successful in our efforts to improve collections and foreclose on existing non-performing assets. At March 31, 2007, we had investments of Rs. 25.38 billion 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 RBI. There can be no assurance that Asset Reconstruction Company (India) Limited will be able to recover these assets and redeem our investments in security receipts and that there will be no reduction in the value of these investments.

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

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

Although we believe that our total provisions will be adequate to cover all known losses in our asset portfolio, there can be no assurance that there will be no deterioration in the provisioning coverage

as a percentage of gross non-performing assets or otherwise or that the percentage of non-performing assets that we will be able to recover will be similar to our and ICICI's past experience of recoveries of non-performing assets. In the event of any further deterioration in our non-performing asset portfolio, there could be an adverse impact on our business, our future financial performance, our shareholders' funds and the price of our Equity Shares.

5. *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.*

Approximately 78% of our loans to corporate and retail customers are secured by collateral. 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, 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 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 business.

6. *We have experienced rapid international growth in the last three 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 also deliver products and services, including foreign currency financing and cross-border acquisition financing, to our corporate clients through our international subsidiaries and branches. In Canada and the United Kingdom, we have also launched direct banking offerings using the Internet as the access channel. At year-end fiscal 2007, the assets of these banking subsidiaries and branches constituted approximately 19% of the consolidated assets of ICICI Bank and its banking subsidiaries.

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

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

We have experienced rapid growth in our retail loan portfolio. See "Business – Asset Composition and Classification" on page 76. In addition, we have begun 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 exposes us to increased risks within India including the risk that our impaired loans may grow faster than anticipated, 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" on page xiv.

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

We and our subsidiaries are subject to a wide variety of banking, insurance and financial services laws and regulations and a large number of regulatory and enforcement authorities in each of the jurisdictions in which we and our subsidiaries operate. The laws and regulations governing the banking and financial services industry have become increasingly complex governing a wide variety of issues, including interest rates, liquidity, capital adequacy, securitization, investments, ethical issues, money laundering, privacy, record keeping, and marketing and selling practices, with sometimes overlapping jurisdictional or enforcement authorities. Our insurance businesses are also subject to extensive regulation and supervisions and the Insurance Regulatory and Development Authority has the ability to impact and alter laws and 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 our activities.

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, or those of our subsidiaries 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, our subsidiaries 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.

In fiscal 2006, RBI imposed a penalty of Rs. 0.5 million on us in connection with our role as collecting bankers in certain public offerings of equity by companies in India. 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 HKD 40,000 (approximately Rs. 0.2 million) and further ordered us to reimburse investigation costs to the Securities and Futures Commission. We have paid the said amounts.

Frauds and irregularities in switching transactions in various folios of provident fund trusts at Lucknow / Kanpur branches of ICICI Prudential Asset Management Company Limited have been found which are under examination of SEBI and may result in initiation of legal proceedings against ICICI Prudential Asset Management Company Limited. Warning letters have been issued to ICICI Prudential Mutual Fund by SEBI on June 22, 2004 and October 18, 2004 for allegedly not obtaining prior approval of the board of directors of ICICI Prudential Trust Limited and ICICI Prudential Asset Management Company Limited before making investments in unrated debt securities and for violation of clause 10 of Schedule VII of the SEBI (Mutual Fund) Regulations, 1996, respectively. SEBI also advised ICICI Prudential Mutual Fund on November 27, 2003 with respect to its "Prudential ICICI Power" Scheme that while issuing performance based advertisements, performance percentages should not be used in bold font in headlines in advertisements. SEBI had also issued a notice to us in connection with matters pertaining to erstwhile Bank of Madura (which matters related to the period prior to its merger

with us), asking us to show cause as to why its Bhadra, Ahmedabad branch should not be suspended from conducting merchant banking activities for a period of six months. In this regard, on October 16, 2002 SEBI issued a warning to the Bhadra, Ahmedabad branch with a direction to that branch to act with due skill, care and diligence while acting as banker to an issue. In light of the remedial action taken by us, SEBI observed that such a warning would be sufficient. For more details on these warnings and notices from SEBI, please see "Outstanding Litigation and Material Developments" on page 330.

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

Despite our best efforts to comply with all applicable regulations, there are a number of risks that cannot be completely controlled. Our rapid international expansion has led to increased risk in this respect. Regulators in every jurisdiction in which we or our subsidiaries 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 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.

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

The laws and regulations or the regulatory or enforcement environment in any of the jurisdictions in which we operate may change at any time and may have an adverse effect on the products or services we offer, the value of our assets or of the collateral available for our loans or our business in general. Since 2005, RBI has instituted several changes in regulations applicable to banking companies, including increase in risk-weights on certain categories of loans for computation of capital adequacy, increase in general provisioning requirements for various categories of assets, change in capital requirements and accounting norms for securitisation, increases in regulated interest rates, increases in the cash reserve ratio, cessation of payment of interest on cash reserve balances, changes in limits on investments in financial sector enterprises and venture capital funds and changes in directed lending requirements. In April 2007, RBI issued final guidelines on implementation of the new capital adequacy framework pursuant to Basel II, which, while requiring maintenance of capital for operational risk and undrawn commitments and higher capital for unrated exposures, stipulates continuance of higher risk weights for retail loans and increase in minimum Tier-1 capital adequacy ratio from 4.5% to 6.0%. RBI has also issued draft guidelines on accounting for derivative instruments/transactions and restructuring of loans, which in their final form could adversely impact our financial performance. The Insurance Regulatory & Development Authority issued new regulations effective July 1, 2006, introducing minimum policy period and sum assured stipulations for unit-linked life insurance products. Similar changes in the future could have an adverse impact on our growth, capital adequacy and profitability. 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. The new levy of fringe benefit tax on employee stock options proposed in the Government of India's budget for fiscal 2008 could adversely impact our financial performance if the incidence of the tax is borne or required to be borne by us.

There are a number of restrictions under the Banking Regulation Act, which impede our operating flexibility and affect or restrict investors' rights. These include the following:

- Section 15(1) of the Banking Regulation Act, states that "no banking company shall pay any dividend on its shares until all its capitalised expenses (including preliminary expenses, organisation expenses, share-selling commission, brokerage, amounts of losses incurred and any other item of expenditure not represented by tangible assets) have been completely written off".
- Section 12(2) of the Banking Regulation Act, states that "no person holding shares in a banking company shall exercise voting rights on poll in excess of 10.0% of the total voting rights of all the shareholders of the banking company".
- The forms of business in which we and our subsidiaries may engage are specified and regulated by the Banking Regulation Act. Pursuant to the provisions of section 8 of Banking Regulation Act, we cannot directly or indirectly deal in the buying, selling or bartering of goods by ourselves or for others, except in connection with the realisation of security given to us or held by us, or in connection with bills of exchange received for collection or negotiation, or in connection with the administration of estates as executor, trustee or otherwise, or in connection with any business specified under section 6(1)(o) of the Banking Regulation Act. Goods for this purpose means every kind of movable property, other than actionable claims, stocks, shares, money, bullion and specie and all instruments referred to in section 6(1)(a) of Banking Regulation Act. Unlike a company incorporated under the Companies Act which may amend the objects clause of its Memorandum of Association to commence a new business activity, banking companies may only carry on business activities permitted by Section 6 of the Banking Regulation Act or specifically permitted by RBI. This may restrict our ability to pursue profitable business opportunities as they arise.
- Section 17(1) of the Banking Regulation Act requires every banking company to create a Reserve Fund and to transfer out of the balance of the profit of each year as disclosed in the profit and loss account a sum equivalent to not less than 20% of such profit before paying any dividend.
- Section 19 of the Banking Regulation Act restricts the opening of subsidiaries by banks, which may prevent us from capitalising on emerging business opportunities. Similarly, section 23 of the Banking Regulation Act contains certain restrictions on banking companies regarding the opening of new places of business and transfers of existing places of business, which may hamper our operational flexibility.
- Section 25 of the Banking Regulation Act requires each banking company to maintain assets in India equivalent to not less than 75% of its demand and time liabilities in India, which in turn may restrict us from building overseas asset portfolios and capitalising on overseas business opportunities.
- We are required to obtain approval of RBI for the appointment and remuneration of our Chairman, Managing Director and other wholetime directors. RBI has powers to remove managerial and other persons from office, and to appoint additional directors. We are also required to obtain approval of RBI for the creation of floating charges for our borrowings, thereby hampering leverage. The Banking Regulation Act also contains provisions regarding production of documents and availability of records for inspection.

- Our amalgamation with any other banking company will require the sanction of RBI and shall be in accordance with the provisions of the Banking Regulation Act. The provisions for winding-up of banking companies as specified in the Banking Regulation Act are at variance with the provisions of the Companies Act. Further, RBI can also apply for winding up of a banking company in certain circumstances and can also be appointed as the liquidator and the Government of India has powers to acquire the undertakings of banking companies in certain cases.
- We are required to prepare our balance sheet and profit and loss account in the forms set out in the Third Schedule to the Banking Regulation Act or as near thereto and subject to and in accordance with the other provisions of the Banking Regulation Act read with the Companies Act, 1956. The financial disclosures in the offer document may not be available to the investors on a continuous basis after listing.

For more information see “Regulations and Policies” on page 111 and “Indian Licenses, Approvals, Registrations and Permissions” on page 355.

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

Our net standard assets (performing assets, net of write-offs, provisions and interest suspense) of Rs. 2,033.55 billion at year-end fiscal 2007 included net restructured standard loans of Rs. 48.83 billion (constituting 2.38% of net customer assets), compared to Rs. 53.16 billion (constituting 3.50% of net customer assets) at year-end fiscal 2006. Our borrowers’ requirements to restructure their loans were due to several factors, including increased competition arising from economic liberalization in India, variable industrial growth, a sharp decline in commodity prices, the high level of debt in the financing of projects and capital structures of companies in India and the high interest rates in the Indian economy during the period in which a large number of projects contracted their borrowings. These factors reduced profitability for certain of our borrowers and also resulted in the restructuring of certain Indian companies in sectors including petroleum, refining and petrochemicals, iron and steel, textiles and cement. The failure of these borrowers to perform as expected or a significant increase in the level of restructured assets in our portfolio could adversely affect our business, our future financial performance, our shareholders’ funds and the price of our Equity Shares.

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

Most of our incremental funding requirements, including replacement of maturing liabilities of ICICI (which generally had longer maturities), are met through short-term funding sources, primarily in the form of deposits including 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, primarily the assets of ICICI and our home loan portfolio, have medium or long-term maturities, creating the potential for funding mismatches. Our ability to raise fresh deposits and grow our deposit base depends in part on our ability to expand our network of branches, which requires the approval of RBI. In September 2005, RBI replaced the existing system of granting authorisations for opening individual branches with a system of giving aggregated approvals covering both branches and existing non-branch channels like ATMs, on an annual basis. While we have recently received RBI’s authorizations for establishing new branches and additional off-site ATMs, there can be no assurance that these authorizations or future authorizations granted by RBI will meet our requirements for branch expansion to achieve the desired growth in our deposit base. High volumes of deposit withdrawals or failure of a substantial number of our depositors to roll over deposited funds upon maturity or

to replace deposited funds with fresh deposits as well as our inability to grow our deposit base, could have an adverse effect on our liquidity position, our business, our future financial performance, our shareholders' funds and the price of our Equity Shares. See also "— Financial difficulty and other problems in certain financial institutions in India could adversely affect our business and the price of our Equity Shares" on page 29.

12. *A large proportion of ICICI's loans consisted of project finance assistance, which continues to be a part of our loan portfolio and is particularly vulnerable to completion and other risks.*

Long-term project finance assistance was a significant proportion of ICICI's asset portfolio and continues to be a part of our loan portfolio. Project finance loans represented approximately 49.3% of our net advances at year-end fiscal 2002 and approximately 8.74% of our advances at year-end fiscal 2007. Our advances to projects under implementation represented 1.76% of our gross advances at year-end fiscal 2007. The viability of these projects and other projects that we may finance depends upon a number of factors, including market demand, government policies and the overall economic environment in India and the international markets. These projects are particularly vulnerable to a variety of risks, including completion risk and counterparty risk, which could adversely impact their ability to generate revenues. We cannot be sure that these projects will perform as anticipated. In the past, we experienced a high level of default and restructuring in our project finance loan portfolio as a result of the downturn in certain global commodity markets and increased competition in India. Future project finance losses or high levels of loan restructuring could have a materially adverse effect on our profitability and the quality of our loan portfolio.

13. *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 Equity Shares could be adversely affected.*

Our loan portfolio and non-performing asset portfolio have a high concentration in certain customers. At March 31, 2007, our exposure to our largest borrower accounted for approximately 13.1% of our total capital funds (comprising Tier-1 and Tier-2 capital as defined in RBI guidelines. See "Regulations and Policies – Reserve Bank of India Regulations – Capital Adequacy Requirements" on page 111. The exposure to the largest borrower group at March 31, 2007 accounted for approximately 31.7% of our total capital funds. At that date, the five largest industry sectors (excluding retail) in our loan portfolio were services – finance; services – non-finance; iron/steel and products; chemical and fertilizers; crude petroleum/refining and petrochemicals and these respectively constituted 4.9%, 2.8%, 2.5%, 2.5% and 2.5% our total advances. In respect of seven industries representing 13.4% of our total advances, the top five borrowers in each industry represented 50.0% or more of our advances to that industry. See "Business – Asset Composition and Classification" on page 76. In the past, certain of our borrowers have been adversely affected by economic conditions in varying degrees. Credit losses due to financial difficulties of these borrowers/ borrower groups in the future could adversely affect our business, our financial performance, our shareholders' funds and the price of our Equity Shares.

14. *We face greater credit risks than banks in developed economies.*

Our credit risk is higher because most of our borrowers are based in India. Unlike several developed economies, a nationwide credit bureau has become operational in India only recently. This may affect the quality of information available to us about the credit history of our borrowers, especially individuals and small businesses. In addition, the credit risk of our borrowers, particularly small and middle market companies, is higher than borrowers in more developed economies due to the greater uncertainty in the Indian regulatory, political, economic and industrial environment and the difficulties of many of our corporate borrowers to adapt to global technological advances. Also, several of

our corporate borrowers 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. This may lead to an increase in the level of our non-performing assets and there could be an adverse impact on our business, our future financial performance, our shareholders' funds and the price of our Equity Shares.

- 15. *We have proposed a reorganization of our holdings in our insurance and asset management subsidiaries and our inability to implement this reorganization as well as the significant additional capital required by these businesses may adversely impact our business and the price of our Equity Shares.***

Given the expected losses and the significant growth in our life insurance and general insurance businesses, we expect that significant additional capital will be needed to support these businesses and, as a result, we have proposed a reorganization of our holdings in our insurance and asset management subsidiaries. Our Board has approved the transfer of our equity shareholding in our insurance and asset management subsidiaries to a proposed new subsidiary. We propose to raise equity capital in this proposed new subsidiary to meet the future capital requirements of the insurance subsidiaries. See "Business – Insurance" on page 73. The incorporation of the subsidiary, transfer of the equity shares and issuance of new shares by the proposed new subsidiary are subject to regulatory and other approvals. There can be no assurance that such approvals will be obtained or that the proposed subsidiary will be successful in raising capital, or of the valuations based on which such capital will be raised. Our inability to implement this reorganization and raise capital in this subsidiary, or the valuation at which such capital is raised, could adversely impact our ability to capitalise our insurance subsidiaries, their growth, our future capital adequacy, our financial performance and the price of our Equity Shares.

- 16. *While our insurance businesses are becoming an increasingly important part of our business, there can be no assurance that they will continue to experience high rates of growth.***

Our life insurance and general insurance joint ventures have experienced high rates of growth and are becoming an increasingly important part of our business. See "Business - Insurance" on page 73 and "Management's Discussion and Analysis of Consolidated Financial Condition and Results of Operations — Insurance Segment" on page 326. There can be no assurance that these businesses will continue to experience high rates of growth. 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 Equity Shares.

- 17. *Our life insurance business is in a loss position and is expected to continue to generate losses for some years.***

We and our joint venture partner have made significant investments in our life insurance joint venture, ICICI Prudential Life Insurance Company Limited. See "Business — Insurance" on page 73 and "Management's Discussion and Analysis of Consolidated Financial Condition and Results of Operations — Insurance Segment" on page 326, and as is normal in the start-up phase of any life insurance business, we are currently experiencing losses from this businesses. We expect these losses to continue for some years.

- 18. *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 our results of operations.***

In accordance with industry practice and accounting and regulatory requirements, we establish

reserves for loss and loss adjustment expenses related to our 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 reserves for environmental and other latent claims are particularly subject to such variables. Our results of operations depend significantly upon the extent to which our actual claims experience is consistent with the assumptions we use in setting the prices for products and establishing the liabilities for obligations for technical provisions and claims. To the extent that our actual claims experience is less favorable than the underlying assumptions used in establishing such liabilities, we may be required to increase our reserves, which may materially adversely affect our 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. We also conduct reviews of various lines of business to consider the adequacy of reserve levels. Based on current information available to us and on the basis of our internal procedures, our management considers that these reserves are adequate at year-end fiscal 2007. 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 our results of operations.

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

Portions of our general insurance 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 we monitor our overall exposure to catastrophes and other unpredictable events in each geographic region and determine our underwriting limits related to insurance coverage for losses from catastrophic events, we generally seek to reduce our 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 could have a material adverse effect on our financial position or results of operations.

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

The assumptions we make in assessing our life insurance reserves may differ from what we experience in the future. We derive our 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. We monitor our actual experience of these assumptions and to the extent that we consider that this experience will continue in the longer term, we refine our long-term assumptions. Changes in any such assumptions may lead to changes in the estimates of life and health insurance reserves.

- 21. *At year-end fiscal 2007, we had contingent liabilities of Rs. 5,629.60 billion. A determination against us in respect of disputed tax assessments of Rs. 39.06 billion included in contingent liabilities may adversely impact our financial performance.***

At year-end fiscal 2007, we had contingent liabilities of Rs. 5,629.60 billion, which included Rs. 5,482.57 billion on account of items such as guarantees issued, acceptances, letters of credit, forward contracts and other derivatives which are normal for the banking business. Our contingent liabilities included Rs. 39.06 billion demanded in additional taxes by the Government of India's tax authorities in excess of our provisions. See "Outstanding Litigation and Material Developments" on page 330. 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 Equity Shares.

- 22. *We are involved in various litigations. Any final judgement awarding material damages against us could have a material adverse impact on our future financial performance, our shareholders' funds and the price of our Equity Shares.***

We, or our subsidiaries and other group companies, or our or their directors or officers, are often involved in litigations (including civil or criminal) for a variety of reasons, which generally arise because we seek to recover our dues from borrowers or because customers seek claims against us. At May 31, 2007, there were 4,190 litigations or show cause notices (not including tax claims) against us, our directors, senior management and other employees, having an aggregate claim amount of approximately Rs. 94.46 billion (to the extent quantifiable and including amounts claimed jointly and severally from us and other parties). At May 31, 2007, approximately 2,311 litigations (not including tax claims) were pending against our subsidiaries and other group companies having an aggregate claim amount of approximately Rs. 330.6 million (to the extent quantifiable and including amounts claimed jointly and severally from them and other parties). There are also cases against the erstwhile Sangli Bank Limited (which merged with us on April 19, 2007) or against its officers. For details of these litigations, please see "Outstanding Litigation and Material Developments" on page 330. For details of regulatory actions against us, our subsidiaries and other group companies or against our directors and officers, please see "Outstanding Litigation and Material Developments" on page 330. The majority of these cases arise in the normal course and we believe, based on the facts of the cases and consultation with counsel, that these cases generally do not involve the risk of a material adverse impact on our financial performance or shareholders' funds. Where we assess that there is a probable risk of loss, it is our policy to make provisions for the loss. However, we do not make provisions or disclosures in our financial statements where our assessment is that the risk is insignificant. We cannot guarantee that the judgments in any of the litigation in which we are involved would be favourable to us and if our assessment of the risk changes, our view on provisions will also change.

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

We may seek opportunities for growth through acquisitions or be required to undertake mergers mandated by RBI under its statutory powers. In the past, RBI has ordered mergers of weak banks with other banks primarily in the interest of depositors of the weak banks.

On April 19, 2007 we received RBI's approval for an all-stock amalgamation of The Sangli Bank Limited, or Sangli Bank, an unlisted private sector bank with us. At year-end fiscal 2006, Sangli Bank had over 190 branches, total assets of Rs. 21.51 billion, total deposit of Rs. 20.04 billion, total loans of Rs. 8.88 billion and total capital adequacy of only 1.6%. In fiscal 2006, it incurred a loss of Rs. 0.29 billion.

ICICI BANK LIMITED

This and any future acquisitions or mergers may involve a number of risks, including deterioration of asset quality, diversion of our management's attention required to integrate the acquired business and the failure to retain key acquired personnel and clients, leverage synergies or rationalise operations, or develop the skills required for new businesses and markets, or unknown and known liabilities, some or all of which could have an adverse effect on our business.

24. *Certain of our subsidiaries have incurred losses, which may adversely affect our results of operation.*

Certain of our subsidiaries have incurred losses in recent years, as set forth in the table below:

(Rs. in millions)

Subsidiary	Year ended March 31,		
	2005	2006	2007
ICICI Securities Inc.....	1.0	43.5	(66.5)
ICICI Securities Holding Inc.....	(13.3)	17.3	(21.9)
ICICI Prudential Life Insurance Company Limited.....	(2,116.2)	(1,878.8)	(6,489.1)
ICICI Bank Canada.....	(252.7)	(254.0)	(69.8)
ICICI International Limited.....	-	(0.6)	0.19

Although these losses can be primarily attributed to initial set-up and start-up costs and, particularly in the insurance industry, to a high level of operating expenses and reserve requirements in the initial years of expansion, any further losses in these subsidiaries may adversely affect our business, our future financial performance, our shareholders' funds and the price of our Equity Shares. In addition, certain venture capital and private equity and trust funds in which we are the sole or majority unit-holder or contributory have also incurred losses.

(Rs. in millions)

Name of the fund	Year ended March 31,		
	2005	2006	2007
ICICI Eco-net Internet & Technology Fund	(22.8)	(191.9)	(18.8)
ICICI Strategic Investments Fund	(14.2)	26.2	1,410.8

25. *The financial statements of three of our subsidiaries and associates, for fiscal 2007, which are unaudited, form part of our consolidated audited financial statements.*

The financial statements of ICICI Bank Canada, ICICI Bank Eurasia Limited Liability Company and ICICI Property Trust for fiscal 2007 are unaudited. The consolidated audited financial statements of our Bank include the unaudited financial statements of these subsidiaries. The total assets of these entities accounted for 2.5% of our consolidated total assets at year-end fiscal 2007 and the net profit/(loss) of these entities accounted for 0.1% of our consolidated profit for fiscal 2007.

26. *We 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" on page 102. Adverse movements and volatility in foreign exchange rates may adversely affect our borrowers, the quality of our exposure to our borrowers and our business.

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

Within the Indian market, we face intense competition from Indian and foreign commercial banks in all our products and services. Foreign banks also operate in India through non-banking finance companies. Further liberalization of the Indian financial sector could lead to a greater presence or new entries of foreign banks offering a wider range of products and services, which would significantly toughen our competitive environment. In addition, the Indian financial sector may experience further consolidation, resulting in fewer banks and financial institutions, some of which may have greater resources than us. The Government of India has indicated its support for consolidation among Government-owned banks. RBI has announced a road map for the presence of foreign banks in India that would, after a review in 2009, allow foreign banks to acquire up to a 74.0% shareholding in an Indian private sector bank. See “Business — Competition” on page 85 and “Indian Financial Sector — Commercial Banks — Foreign Banks” on page 54. 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.

28. *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. Our rural initiative, our rapid 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. 0.93 billion for losses from frauds pertaining to the warehouse receipt-based financing product for agricultural credit. See also “Business — Risk Management — Operational Risk” on page 103. 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.

29. *System failures could adversely impact our business.*

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

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

We, like all financial institutions, are exposed to many types of operational risk, including the risk of

fraud or other misconduct by employees or outsiders, unauthorized transactions by employees and third parties (including violation of regulations for prevention of corrupt practices, and other regulations governing our business activities), mis-reporting 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. Our rapid growth, particularly in the rural initiative, international arena and insurance businesses exposes us to additional operational and control risks. 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. We use direct marketing associates for marketing our retail credit products. We also outsource some functions such as 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 a deterioration in customer service and to loss or liability to us. We are further exposed to the risk that external vendors may be unable to fulfill their contractual obligations to us (or will be subject to the same risk of fraud or operational errors by their respective employees as are we), and to the risk that its (or its vendors') business continuity and data security systems prove not to be sufficiently adequate. We also face the risk that the design of our controls and procedures prove inadequate, or are circumvented, thereby causing delays in detection or errors in information. Although we maintain a system of controls designed to keep operational risk at appropriate levels, like all banks we have suffered losses from operational risk and there can be no assurance that we will not suffer losses from operational risks in the future that may be material in amount, and our reputation could be adversely affected by the occurrence of any such events involving our employees, customers or third parties. For a discussion of how operational risk is managed, see "Business — Risk Management — Operational Risk" on page 103.

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

To the extent any of the instruments and strategies we use to hedge or otherwise manage our exposure to market or credit risk are not effective, we may not be able to mitigate effectively our risk exposures in particular market environments or against particular types of risk. Our balance sheet growth will be dependent upon economic conditions, as well as upon our determination to securitize, sell, purchase or syndicate particular loans or loan portfolios. Securitization is an important element of our funding and capital management strategy. The Indian securitization market is still evolving in terms of asset classes, participants and regulations and there can be no assurance of our continuing ability to securitize loan portfolios. In November 2006, CRISIL, an Indian credit rating agency, lowered the rating of a personal loan receivables pool, securitized by us, by two notches due to higher than anticipated utilization of the cash collateral stipulated at the initiation of the transaction. Similarly, syndication of corporate loan exposures is an important part of our strategy and there can be no assurance of the continued availability and growth of the market for Indian corporate loan syndications.

Our trading revenues and interest rate risk are dependent upon our ability to properly identify, and mark to market, changes in the value of financial instruments caused by changes in market prices or rates. Our earnings are dependent upon the effectiveness of our management of migrations in credit quality and risk concentrations, the accuracy of our valuation models and our critical accounting estimates and the adequacy of our allowances for loan losses. To the extent our assessments, assumptions or estimates prove inaccurate or not predictive of actual results, we could suffer higher

than anticipated losses. See also “— Further deterioration of our non-performing asset portfolio and an inability to improve our provisioning coverage as a percentage of gross non-performing assets, could adversely affect the price of our Equity Shares” on page vii. The successful management of credit, market and operational risk is an important consideration in managing our liquidity risk because it affects the evaluation of our credit ratings by rating agencies. Rating agencies may reduce or indicate their intention to reduce the ratings at any time. See also “—Any downgrading of India’s debt rating by an international rating agency could adversely affect our business and our liquidity” on page xxix. The rating agencies can also decide to withdraw their ratings altogether, which may have the same effect as a reduction in our ratings. Any reduction in our ratings (or withdrawal of ratings) may increase our borrowing costs, limit our access to capital markets and adversely affect our ability to sell or market our products, engage in business transactions, particularly longer-term and derivatives transactions, or retain our customers. This, in turn, could reduce our liquidity and negatively impact our operating results and financial condition. For more information relating to our ratings, see “Business — Quantitative and Qualitative Disclosures about Risk Management — Market Risk — Liquidity Risk” on page 102.

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

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

33. *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. This complexity is happening at the same time as a developing shortage of skilled management talent both at the highest levels and among middle management and young professionals in India due to the rapid growth and globalization of the Indian economy. 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 growth 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. If we or one of our business units or other functions fail to staff their operations appropriately, or lose one or more of our 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” on page 109. Our inability to attract and retain talented professionals or the loss of key management personnel could have an adverse impact on our business.

34. *Certain shareholders own a large percentage of our Equity Shares and their actions could adversely affect the price of our Equity Shares and ADSs.*

Life Insurance Corporation of India and General Insurance Corporation of India, each of which is directly or indirectly controlled by the Indian Government, are among our principal shareholders.

Our other large shareholders include Allamanda Investments Pte. Limited, a subsidiary of Temasek Holdings Pte. Limited, the Government of Singapore, Crown Capital Limited, CLSA Merchant Bankers Limited and Bajaj Auto Limited, an Indian private sector company. See "Capital Structure – Notes to Capital Structure" on page 32. Any substantial sale of our Equity Shares by these or other large shareholders could adversely affect the price of our Equity Shares.

35. *Your holdings may be diluted by additional issuances of equity and any dilution may adversely affect the market price of our Equity Shares.*

We propose to conduct an ADS Offering in the United States amounting Rs. 100,625.0 million (including green shoe option) as part of the consolidated capital raising issue comprising the Issue and the ADS Offering aggregating Rs. 201,250.0 million, including green shoe option, being conducted by us. The ADS Offering will result in a dilution of your shareholding to the extent of 10.0% assuming the ADS Offering is fully subscribed. We may conduct future additional equity offerings or offerings of convertible securities to fund the growth of our business, including our international operations, our insurance business or our other subsidiaries. In addition, up to 5.0% of our issued Equity Shares from time to time, may be granted in accordance with our Employee Stock Option Scheme. Any concurrent or future issuance of Equity Shares or offerings of convertible securities or exercise of employee stock options would dilute the positions of investors in Equity Shares and could adversely affect the market price of our Equity Shares.

36. *Pursuant to the terms of our American Depositary Shares, Deutsche Bank Trust Company Americas which as depositary holds the Equity Shares represented by the American Depositary Shares votes in accordance with the directions of our Board of Directors.*

Deutsche Bank Trust Company Americas holds the Equity Shares represented by approximately 119 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. The depositary votes on the Equity Shares represented by the American Depositary Receipts as directed by our Board of Directors. However, under the 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 which as the depositary for holders of American Depositary Shares owned approximately 25.0% of our Equity Shares at June 8, 2007, could vote only 10.0% of our Equity Shares. In February 2007, RBI instructed banks to give an undertaking that they would not give cognizance to voting by depositary, should the depositary vote in contravention of its agreement with our Bank and that no change would be made in the terms of the depositary agreement without prior approval of RBI. See "The Indian Financial Sector – Recent Structural Reforms – Proposed Amendments to the Banking Regulation Act" on page 59.

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

We currently deduct the expense for employee stock option grants from our income based on the intrinsic value method and not on the fair value method. Had compensation costs for our employee stock options been determined in a manner consistent with the fair value approach, our profit after tax for fiscal 2007 as reported would have been reduced to the pro forma amount of Rs. 30.27 billion from Rs. 31.10 billion and for fiscal 2006 to Rs. 24.88 billion from Rs. 25.40 billion.

38. *Subject to the changes in Indian Accounting Standards or even otherwise we may change our accounting policies in the future and it might not always be possible to determine the effect on Profit and Loss account of these changes in each of the accounting years preceding the change.*

In such cases our profit/ loss for the preceding years might not be strictly comparable with the profit/ loss for the period for which such accounting policy changes are being made.

- 39. *If investors do not pay the Balance Amount Payable on partly paid shares, trading in those shares will be discontinued and such shares will be liable for forfeiture by us.***

Shares allotted on a partly paid basis may be listed and traded under a separate ISIN number. Five days prior to issue of a call notice by us the trading in the partly paid shares would be suspended. Once the amount payable on calls is duly made, such shares will be listed and tradeable with a separate ISIN number from the date of listing of such shares and up to five days prior to the record date for the next call, if applicable. However, if the amount due on calls is not paid, these shares will be liable for forfeiture by us in accordance with our Articles of Association. Since trading of the partly paid shares would be suspended five days prior to the record date for the concerned call, the partly paid shares would cease to trade from such date and there would be no market for the same. For more details see "Issue Procedure – Key Features of the Payment Methods" on page 399 and "Issue Procedure – Key Features of the Payment Methods" on page 339 of this Prospectus.

- 40. *Partly paid shares will not be traded for a period of approximately 45 days from the issue of the Call Money Notice.***

We will fix a record date to determine the list of shareholders to whom the call notice would be sent for each call, if applicable. As per the present regulatory framework, trading of our partly paid Equity Shares is expected to be suspended for a period of approximately 45 days, starting five days prior to such record date for the call concerned. The process of corporate action for credit of fully paid shares to the demat account of the shareholder may take about two weeks from the date of payment of the amount payable on the call. During this period shareholders who pay the amount payable on the call for the partly paid shares will not be able to trade in those shares. For more details see "Issue Procedure – Key Features of the Payment Methods" on page 399 of this Prospectus.

- 41. *You will not receive the Equity Shares you purchase in this Issue until several days after you pay for them, which will subject you to market risk.***

The Equity Shares you purchase in this Issue will not be credited to your demat account with depository participants until approximately 15 days from the Bid/ Issue Closing Date. You can start trading your Equity Shares only after receipt of listing and trading approvals in respect of these shares which will require additional time after the credit of shares into your demat accounts. Since our Equity Shares are already listed on the stock exchanges, you will be subject to market risk from the date you pay for the Equity Shares to the date they are listed.

EXTERNAL RISK FACTORS

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

Any slowdown in the Indian economy or volatility of global commodity prices, in particular oil and steel prices, could adversely affect our borrowers and contractual counterparties. As our commercial banking operations for retail customers are important to our business and our agricultural loan portfolio is increasingly important to our business, any slowdown in the growth of the housing, automobiles and agricultural sectors could adversely impact our business. Since 2006, interest rates in the Indian economy have increased significantly and we have recently experienced a slowdown in disbursements of housing loans and automobile loans. While we believe that there continues to be robust growth potential for retail loans, a slowdown in demand for loans from retail customers including due to higher interest rates, could adversely impact our business. Slowdown in economic growth could result in lower credit demand and higher defaults among corporate, retail and rural borrowers, which could adversely impact our business.

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

India imports approximately 75.0% of its requirements of crude oil, which were approximately 31.9% of total imports during the period April 2006-February 2007 and 31.3% of total imports in fiscal 2006. Since 2004, there has been a sharp increase in global crude oil prices due to both increased demand and pressure on production and refinery capacity, and political and military tensions in key oil-producing regions. The full burden of the oil price increase has not been passed to Indian consumers and has been substantially absorbed by the government and government-owned oil marketing companies. While global crude prices have moderated from their peak levels, sustained high levels, further increases or volatility of oil prices and the pass-through of increases to Indian consumers could have a material negative impact on the Indian economy and the Indian banking and financial system in particular, including through a rise in inflation and market interest rates and a higher trade deficit.

- 44. *A significant change in the Indian government's economic liberalization and deregulation policies could adversely affect our business and the price of our Equity Shares.***

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

- 45. *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 Equity Shares.***

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

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

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

- 47. *Trade deficits could adversely affect our business and the price of our Equity Shares.***

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

- 48. *Natural calamities could adversely affect the Indian economy, or the economy of other countries where we operate, our business and the price of our Equity Shares.***

India has experienced natural calamities like earthquakes, floods and drought in the past few years. The extent and severity of these natural disasters determine their impact on the Indian economy. For example, in fiscal 2003, many parts of India received significantly less than normal rainfall. As a result of the drought conditions in the economy during fiscal 2003, the agricultural sector recorded a negative growth of 7.2%. Also, the erratic progress of the monsoon in fiscal 2005 adversely affected

sowing operations for certain crops and resulted in a decline in the growth rate of the agricultural sector from 10.0% in fiscal 2004 to negligible growth in fiscal 2005. The agricultural sector grew by 6.0% in fiscal 2006 and by 2.7% fiscal 2007. Further prolonged spells of below or above normal rainfall or other natural calamities could adversely affect the Indian economy and our business, especially in view of our strategy of increasing our exposure to rural India. Similarly natural calamities in other countries where we operate could affect the economies of those countries and our operations in those countries.

49. *Financial difficulty and other problems in certain financial institutions in India could adversely affect our business and the price of our Equity Shares.*

As an Indian bank, we are exposed to the risks of the Indian financial system which may be affected by the financial difficulties faced by certain Indian financial institutions because the commercial soundness of many financial institutions may be closely related as a result of credit, trading, clearing or other relationships. This risk, which is sometimes referred to as “systemic risk”, may adversely affect financial intermediaries, such as clearing agencies, banks, securities firms and exchanges with whom we interact on a daily basis. Any such difficulties or instability of the Indian financial system in general could create an adverse market perception about Indian financial institutions and banks and adversely affect our business. See also “Overview of the Indian Financial Sector” on page 53. As the Indian financial system operates within an emerging market, it faces risks of a nature and extent not typically faced in more developed economies, including the risk of deposit runs notwithstanding the existence of a national deposit insurance scheme. For example, in April 2003, unsubstantiated rumors, believed to have originated in Gujarat, a state in India, alleged that we were facing liquidity problems. Although our liquidity position was sound, we witnessed higher than normal deposit withdrawals on account of these unsubstantiated rumors for several days in April 2003. We successfully controlled the situation in this instance, but any failure to control such situations in the future could result in high volumes of deposit withdrawals which would adversely impact our liquidity position.

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

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

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

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

52. *Conditions in the Indian and international securities market may affect the price or liquidity of the Equity Shares.*

The Equity Shares offered pursuant to the Issue will be listed on the National Stock Exchange of India Limited and the Bombay Stock Exchange Limited. Pursuant to Indian law, certain actions must be completed before the Equity Shares can be listed and trading may commence. We intend to issue the Equity Shares underlying the ADS Offering prior to the listing and trading of the Equity Shares being offered in this Issue. Trading in the Equity Shares is expected to commence within seven working days of the date on which the basis of allotment is approved by the National Stock Exchange of India Limited which may be up to 15 days after the issue of the Equity Shares underlying the ADS Offering and the commencement of trading of the ADSs outside India. Investors’ reactions to market and economic developments in the US and other international markets may have an adverse effect on the market price of our ADSs and Equity Shares. Therefore, the market price of our Equity Shares could decline as a result of volatility in the price of our ADSs.

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Notes:

- Our name was changed from ICICI Banking Corporation Limited to ICICI Bank Limited on September 10, 1999. The change of name was effected on account of our being widely known by the name "ICICI Bank".
- RBI conducts regular inspections of banking companies under the provisions of the Banking Regulation Act. The reports of RBI are strictly confidential. We are in dialogue with RBI in respect of observations made by RBI in their report for prior periods. RBI does not permit disclosure of its inspection report and all the disclosures in this Prospectus are on the basis of our management and audit reports.
- The book value per Equity Share of Rs. 10 each computed from our unconsolidated financial statements was Rs. 269.81 at year-end fiscal 2007 and Rs. 248.56 at year-end fiscal 2006.
- Our net worth (including preference share capital of Rs. 3.50 billion) at year-end fiscal 2007, was Rs. 240.03 billion which was net of unamortised Early Retirement Option expenses of Rs. 0.50 billion and deferred tax asset of Rs. 6.10 billion.
- We had entered into certain related party transactions in fiscal 2007. For details see "Related Party Transactions" on page 168.
- None of our directors has, either directly or indirectly, undertaken transactions in our Equity Shares in the six months preceding the date of this Prospectus except as stated on page 39.
- You may contact the BRLMs and the CBRLMs for any complaints pertaining to the Issue.
- You are advised to refer to "Basis for The Issue Price" on page 44.
- You are free to contact the BRLMs and the CBRLMs for any clarification or information relating to the Issue. The BRLMs and CBRLMs are obliged to provide the same to you.
- You may note that in case of over-subscription in the Issue, allotment to Bidders shall be on a proportionate basis subject to compliance with total non-resident and foreign institutional investor shareholding limits. For more information, see "Basis of Allocation" on page 406.
- This Prospectus includes unconsolidated and consolidated Indian GAAP financial statements of ICICI Bank and management's discussion and analysis and other financial/statistical data presented on both unconsolidated basis and consolidated basis. Investors should be aware that our annual report in Form 20-F for fiscal 2006 filed with the United States Securities and Exchange Commission includes consolidated Indian GAAP financial statements and management's discussion and analysis and other financial/statistical data presented on a consolidated basis and a reconciliation of net income and stockholders' equity to US GAAP. Our annual report in Form 20-F for fiscal 2007 and prospectus for the proposed ADS offering would similarly include consolidated Indian GAAP financial statements and other information.

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 Prospectus.

Overview

We are a leading Indian private sector commercial bank offering a variety of products and services. We were incorporated in India in 1994. In 2002, ICICI, a non-bank financial institution, and two of its subsidiaries, ICICI Personal Financial Services and ICICI Capital Services, were amalgamated with us. As of March 31, 2007 we were the largest private sector bank in India and the second largest bank in India, in terms of assets. (Source: Based on comparison of annual financials of listed public and private sector banks). May 10, 2007, we have the largest market capitalization among all banks in India. (Source: www.bseindia.com). See "Business – History" on page 64.

Our commercial banking operations span the corporate and the retail sector. We offer a suite of products and services for both our corporate and retail customers. We offer a range of retail credit and deposit products and services to retail customers. The implementation of our retail strategy and the growth in our commercial banking operations for retail customers has had a significant impact on our business and operations in recent years. At year-end fiscal 2007, retail finance represented 65.2% of our total loans and advances compared to 62.9% at year-end fiscal 2006 and 60.9% at year-end fiscal 2005. We have approximately 24.0 million retail customer accounts. Our corporate customers include India's leading companies as well as growth-oriented small and middle market businesses, and the products and services offered to them include loan and deposit products and fee and commission-based products and services. Through our treasury operations, we manage our balance sheet and strive to optimize profits from our trading portfolio by taking advantage of market opportunities. We believe that the international markets present a major growth opportunity and have, therefore, expanded to countries other than India to serve our customers' cross border needs and offer our commercial banking products to international customers.

At year-end fiscal 2007 our principal network consisted of 710 branches, 45 extension counters and 3,271 automated teller machines, or ATMs, across several Indian states. Pursuant to the amalgamation of Sangli Bank with us, our network of branches and extension counters increased by over 190. We offer our customers a choice of delivery channels, and we use technology to differentiate our products and services from those of our competitors. We remain focused on changes in customer needs and technological advances to remain at the forefront of electronic banking in India, and seek to deliver high quality and effective services.

Strategy

Our objective is to enhance our position as a provider of banking and other financial services in India and to leverage our competencies in financial services and technology to develop an international business franchise. The key elements of our business strategy are to:

Focus on Quality Growth Opportunities: With upward migration of household income levels and acceptance of use of credit to finance purchases, retail credit has emerged as a growing opportunity for banks that have the necessary skills and infrastructure to succeed in this business. While recent increases in interest rates and asset prices as well as a larger base have resulted in moderation in growth rates, we believe that the Indian retail financial services market has the potential for sustained growth. Cross selling of the entire range of credit, deposit and investment products and banking services to our customers is a key aspect of our retail strategy. We securitize a portion of the retail assets originated by us. We are focusing on leveraging our corporate relationships to increase our market share in project finance, cross border finance, non-fund-based working capital products and other fee-based services. Our corporate lending activities will continue to focus on structured project and corporate finance and working capital lending to highly rated corporations. The focus on infrastructure development and the repositioning and emerging global competitiveness of the Indian industry offer growth opportunities in the area of project financing. We believe that a number of Indian companies in both the public and private sector have significant investment plans for setting up infrastructure facilities as well as industrial production capacities. The international expansion of Indian companies also provides a major opportunity. We are seeking to build a global corporate and investment banking franchise focused on Indian companies, covering advisory, origination, structuring, execution and syndication. We will continue to focus on leveraging our expertise in structuring and project financing, syndicating the financing required and actively managing our project finance portfolio to reduce portfolio concentration and manage portfolio risk. We aim to provide comprehensive and integrated services, and to increase the cross-selling of our products and services and maximize

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the value of our corporate relationships through the effective use of technology, speedy response times, quality service and the provision of products and services designed to meet specific customer needs.

Build an International Presence: We believe that the international markets present a major growth opportunity. We have therefore expanded to countries other than India to cater to our customers' cross border needs and offer our commercial banking products in select international markets. We are also building an international private banking franchise and leveraging our technological capabilities and relative cost efficiencies by offering direct banking in select international markets. We aim to expand our offering of local banking products and services to non-resident Indians as well as to the broader local market.

Build a Rural Banking Franchise: We believe that serving the rural markets is a key element in driving future growth for the Indian economy and for us. Our rural banking strategy seeks to adopt a holistic approach to the financial services needs of various segments of the rural population, by delivering a comprehensive product suite encompassing credit, transaction banking, deposit, investment and insurance, through a range of channels. Our rural delivery channels include branches, internet kiosks, franchisees and micro-finance institution partners.

Strengthen Our Insurance and Asset Management Businesses: We believe that the insurance and asset management sectors have significant growth potential. We believe that our subsidiaries, ICICI Prudential Life Insurance Company Limited, ICICI Lombard General Insurance Company Limited and ICICI Prudential Asset Management Company have built a platform for continued growth, high market share and profitability in the medium term based on extensive distribution efforts, brand recall and underwriting and portfolio management capabilities. According to statistics published by the Insurance Regulatory & Development Authority, ICICI Prudential Life Insurance Company had a market share of 28% in the private sector and an overall market share of approximately 10% based on new business premiums (on a weighted received premium basis) during fiscal 2007. ICICI Lombard General Insurance had a market share of 34% among the private sector and a total market share of approximately 12% during the year fiscal 2007. ICICI Prudential Asset Management Company had a market share of 11.5% in assets under management of the mutual fund industry at March 31, 2007. We seek to leverage the synergies we have with our insurance and asset management subsidiaries.

Our Board has approved the transfer of our equity shareholding in ICICI Prudential Life Insurance Company Limited, ICICI Lombard General Insurance Company Limited, ICICI Prudential Asset Management Company Limited and ICICI Prudential Trust Limited to a proposed new subsidiary. For more details, see "Business – Insurance" on page 73.

Emphasize Conservative Risk Management Practices and Enhance Asset Quality: We believe that conservative credit risk management policies and procedures are critical to maintain competitive advantages in our business, and we continue to build on our credit risk management tools, and aim to mitigate credit risk by adopting various measures.

Use Technology for Competitive Advantage: We seek to be at the forefront of technology usage in the financial services sector. Technology is a strategic tool for our business operations to gain competitive advantage and to improve overall productivity and efficiency of the organisation.

Attract and Retain Talented Professionals: We have been successful in building a team of talented professionals with relevant experience. We believe a key to our success will be our ability to continue to maintain and grow a pool of strong and experienced professionals. We intend to continuously develop our management and organizational structure to allow us to respond effectively to changes in the business environment and enhance our overall performance.

THE ISSUE

Issue	Rs. 87,500.0 million
<i>Of which ⁽¹⁾</i>	
Reservation for Existing Retail Shareholders	Up to Rs. 4,375.0 million
Net Issue to the public	Minimum of Rs. 83,125.0 million
<i>Of which ⁽¹⁾</i>	
Qualified Institutional Buyers Portion	At least Rs. 41,562.5 million
<i>Of which</i>	
Mutual Fund Portion	Upto Rs. 2,078.1 million
<i>Out of the balance QIB portion</i>	
Non-Institutional Portion	At least Rs. 12,468.7 million
Retail Portion	At least Rs. 29,093.7 million
Green Shoe Option Portion	Up to Rs. 13,125.0 million.
Equity Shares outstanding prior to the Issue	902,857,381 Equity Shares of Rs. 10 each
Equity Shares outstanding after the Issue* (assuming the Green Shoe Option is fully exercised)	1,011,717,992 Equity Shares
Equity Shares outstanding after the Issue* (assuming the Green Shoe Option is not exercised)	997,520,981 Equity Shares
Objects of the Issue	See the section titled 'Objects of the Issue' on page 43.

* The total number of Equity Shares issued may be required to be adjusted *inter alia* for the Rs.50 discount to be offered to Existing Retail Shareholders and Retail Bidders and the exact number of Equity Shares allotted in this Issue, pursuant to completion of Book Building Process.

1. Undersubscription, if any, in the Reservation for Existing Retail Shareholders, would first be allowed to be met with spill over from the Retail Portion and thereafter from any of the other categories, at our discretion, in consultation with the BRLMs and CBRLMs. Under-subscription, if any, in either the Retail Portion or Non Institutional Portion shall be met from the spill over from the other category in the first instance and thereafter it shall be added to the QIB Portion and shall be allocated in the same manner as set out in "Issue Procedure – Basis of Allocation" on page 406. If the aggregate demand by Mutual Funds is less than Rs. 2,078.1 million (assuming QIB Portion is 50% of the Net Issue size, i.e. 44,215,426 Equity Shares), the balance Equity Shares available for allocation in the Mutual Fund Portion will be added to the balance QIB Portion and be allocated proportionately to the QIB Bidders. In the event that the aggregate demand in the QIB Portion has not been met, it would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Bank, in consultation with the BRLMs and the CBRLMs. In the event that the demand in any category is not met as per the procedure set out above, the same shall be met with the spill over from any other category or combination of categories at the discretion of our Bank in consultation with the BRLMs and CBRLMs.

ADS Offering

We have obtained the approval of our shareholders through postal ballot to issue Equity Shares (including Equity Shares to be issued to investors as part of the ADS Offering) up to 25% of our authorised equity share capital. We propose to undertake this Issue and the ADS Offering aggregating Rs. 175,000.0 million, each with a green shoe option together aggregating to Rs. 201,250.0 million. This Issue and the ADS Offering are part of the consolidated capital raising exercise being undertaken by us. We at our discretion may decide to withdraw the ADS Offering at any time up to the date of pricing of the ADS Offering. We in consultation with the BRLMs and CBRLMs shall decide the Issue Price prior to or simultaneously with the determination of the price of the ADS in the ADS Offering. The Equity Shares underlying the ADS Offering shall be held as depositary for the holders of ADS by Deutsche Bank Trust Company Americas.

The Red Herring Prospectus is not an offer of Equity Shares or ADSs for sale or an invitation to subscribe to Equity

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Shares or ADSs to any person in any jurisdiction where it is unlawful to make such offer or invitation. Each purchaser of our Equity Shares in the Issue is deemed to have acknowledged, represented and agreed as follows:

- (1) It is not in the United States nor a U.S. person (as defined in Regulation S under the U.S. Securities Act of 1933, as amended).
- (2) The Equity Shares offered in the Indian public offering have not been registered under the Securities Act.
- (3) It is purchasing those Equity Shares in an offshore transaction meeting the requirements of Rule 903 of Regulation S.
- (4) Until the expiration of the “40-day distribution compliance period” within the meaning of Rule 903 of Regulation S, it shall not make any offer or sale of equity shares within the United States or to a U.S. person or for the account or benefit of a U.S. person (as defined in Regulation S), except in compliance with applicable securities laws.

Investors will not be permitted to deposit Equity Shares into the ADR facility until 40 days after the later of (i) the date the securities are first offered to the public and (ii) the closing date for the offering. Investors would have to comply with the procedures set out under Indian law for the deposit of Equity Shares in the ADR facility.

The Equity Shares may not be offered or sold in the United States absent registration or an exemption from registration. Any public offering or sale of ADSs in the United States will be registered and made by means of a U.S. prospectus that may be obtained from us when it becomes available and that will contain detailed information about us and our management, as well as consolidated financial statements prepared in accordance with Indian GAAP, with a reconciliation of net income and stockholders' equity to US GAAP. No money, securities, or other consideration is being solicited, and, if sent in response to the information contained herein, will not be accepted. We will file a registration statement in the United States for an offering of ADSs.

This Prospectus may not be distributed or made available in the United States or any other jurisdiction outside India where such distribution would be unlawful.

Payment Methods

- a) Illustration of the payment methods available to the investors for applying in this Issue are as follows:

This illustration is for the benefit of the investors and should not be indicative of the Issue Price.

Assumptions:

- Issue Price Rs. 400 per Equity Share
- Discount of Rs. 20 to Retail Bidders including Existing Retail Shareholders

For Existing Retail Shareholders and Retail Bidders

Under Payment Method–1, Rs. 100 is payable on submission of the Bid-cum-Application Form, Rs. 100 by Due Date for payment of Balance Amount Payable on issue of Call Notice on Allotment and the balance on issue of second Call Notice within 6 months of date of allotment.

Under Payment Method – 1, Rs. 9.00 is towards face value and Rs. 91 is towards premium in case of Retail Bidders and Existing Retail Shareholders.

(per share)

Amount Payable* (Rs.)	Payment Method-1			Payment Method-2**		
	Face Value	Premium	Total	Face Value	Premium	Total
On submission of the Bid-cum-Application Form	9.00	91.00	100.00	10.00	370.00	380.00
By Due Date for payment of Balance Amount Payable on Allotment (first Call Notice)	0.25	99.75	100.00	-	-	-
By Due Date for payment of Balance Amount Payable on second Call Notice (within six months of date of Allotment)	0.75	179.25	180.00	-	-	-
Total	10.00	370.00	380.00	10.00	370.00	380.00

* The Bank, in consultation with the BRLMs and the CBRLMs may decide to allot the Equity Shares to Existing Retail Shareholders and Retail Bidders at a differential lower price as compared to the price for QIBs and Non Bidders. The price payable by the Existing Retail Shareholders and Retail Bidders in this illustration is Rs. 380 per Equity Share, which is at a discount of Rs. 20 (in this illustration) compared to the Issue Price for the QIBs and Non Institutional Bidders. The discount, if any shall be decided by the Bank in consultation with the BRLMs and the CBRLMs and shall be notified before the Bid / Issue Opening Date. Such differential amount shall be adjusted against the Balance Amount Payable or be refunded to the Existing Retail Shareholders and Retail Bidders as the case may be.

** In the event the Bank decides to allot the Equity shares at a discount to Existing Retail Shareholders and Retail Bidders, such differential amount shall be refunded to such Bidders who chose Payment Method 2.

For Non-Institutional Bidders

Under Payment Method-1, Rs. 100 is payable on submission of the Bid-cum-Application Form and the balance by Due Date for payment of Balance Amount Payable on issue of Call Notice on Allotment.

Under Payment Method – 1, Rs. 9.50 is towards face value and Rs. 90.50 is towards premium in case of Non-Institutional Bidders.

(per share)

Amount Payable	Payment Method-1			Payment Method-2		
	Face Value	Premium	Total	Face Value	Premium	Total
On submission of the Bid-cum-Application Form	9.50	90.50	100.00	10.00	390.00	400.00
By Due Date for payment of Balance Amount Payable on Allotment (Call notice)	0.50	299.50	300.00	-	-	-
Total	10.00	390.00	400.00	10.00	390.00	400.00

For QIB Bidders

Under Payment Method-1, Rs. 40 (10% of the Issue Price) is payable on submission of the Bid-cum-Application Form, Rs. 60 on receipt of CAN and the balance by Due Date for payment of Balance Amount Payable on issue of Call Notice on Allotment.

Under Payment Method – 1, Rs. 9.50 (paid at the time of making the Bid and upon receipt of CAN) is towards face value and Rs. 90.50 is towards premium in case of QIB Bidders.

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(per share)

Amount Payable	Payment Method-1			Payment Method-2		
	Face Value	Premium	Total	Face Value	Premium	Total
On submission of the Bid-cum-Application Form	9.50	30.50	40.00	10.00	30.00	40.00
On receipt of CAN	-	60.00	60.00	-	360.00	360.00
By Due Date for payment of Balance Amount Payable on Allotment	0.50	299.50	300.00	-	-	-
Total	10.00	390.00	400.00	10.00	390.00	400.00

We exercise the option to adjust the excess amount received on submission of the Bid-cum-Application Form towards either amount payable on calls or on CANs.

FOR DETAILS OF THE KEY FEATURES OF THE PAYMENT METHODS, PLEASE SEE "ISSUE PROCEDURE" ON PAGE 399.

a) Comparison of Payment Methods (for Retail Bidders including Existing Retail Shareholders):

Assumption- Issue Price: Rs. 380.00 (Rs. 400.00 less discount of Rs. 20.00)

Payment Method	1	2	1	2	1	2	1	2	1	2
	Illustration 1		Illustration 2		Illustration 3		Illustration 4		Illustration 5	
Submission of the Bid-cum-Application Form (no. of Equity Shares)	15		10		20		30		50	
Subscription (times)	3.00		2.00		1.33		1.50		10.00	
Allotment (no. of Equity Shares)*	5		5		15		20		5	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Amount Paid on submission of the Bid-cum-Application Form	1,500	5,700	1,000	3,800	2,000	7,600	3,000	11,400	5,000	19,000
Refund, if any**	500	3,800	Nil	1,900	Nil	1,900	Nil	3,800	4,000	17,100
By Due Date for payment of Balance Amount Payable on Allotment (first Call Notice)**	Nil (After adjusting for amount payable from refunds due)	Nil	Nil (After adjusting for amount payable from refunds due)	Nil	1,000 (After adjusting for amount payable from refunds due of Rs. 1,000)	Nil	1,000 (After adjusting for amount payable from refunds due of Rs. 1,000)	Nil	Nil	Nil
By Due Date for payment of Balance Amount Payable on second Call Notice (within six months of date of Allotment)	900	Nil	900	Nil	2,700	Nil	3,600	Nil	900	Nil
Total Amount	1,900	1,900	1,900	1,900	5,700	5,700	7,600	7,600	1,900	1,900

Payment Method	1	2	1	2	1	2	1	2	1	2
	Illustration 1		Illustration 2		Illustration 3		Illustration 4		Illustration 5	
Type of share issued	Tradable as 50% paid up till such time as the second Call Notice is issued. ***	Fully paid-up and tradable	Tradable as 50% paid up till such time as the second Call Notice is issued. ***	Fully paid-up and tradable	25% paid up equity shares are allotted. Not tradable till corporate action for appropriation of Balance Amount Payable upon issuance of first Call Notice on the date of Allotment. Tradable as 50% paid up till such time as the second Call Notice is issued. ***	Fully paid-up and tradable	25% paid up equity shares are allotted. Not tradable till corporate action for appropriation of Balance Amount Payable upon issuance of first Call Notice on the date of Allotment. Tradable as 50% paid up till such time as the second Call Notice is issued. ***	Fully paid-up and tradable	Tradable as 50% paid up till such time as the second Call Notice is issued. ***	Fully paid-up and tradable

* Assuming Allotment arrived based on the Basis of Allocation and as per the mechanism described on page 406 and approved by the Stock Exchanges.

** We, in consultation with the BRLMs and the CBRLMs, may decide to allot the Equity Shares to Existing Retail Shareholders and Retail Bidders at a differential lower price as compared to the price for QIBs and Non Institutional Bidders. This discount shall be decided by us in consultation with the BRLMs and CBRLMs and shall be notified before the Bid / Issue Opening Date. Such differential amount shall be adjusted against the Balance Amount Payable or be refunded to the Existing Retail Shareholders and Retail Bidders as the case may be.

*** Tradable as fully paid up after corporate action for appropriation of Balance Amount Payable upon issuance of second Call Notice within six months of the Allotment.

We may exercise the option to adjust the excess amount received on submission of the Bid-cum-Application Form towards Balance Amount Payable on Call Notice. Excess amount after adjusting the full amount payable for the Equity Shares allotted will be refunded along with the discount, if any.

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Comparison of Payment Methods (for Non Institutional Bidders):

Assumption - Issue Price: Rs. 400.00

Payment Method	1	2	1	2	1	2	1	2	1	2
	Illustration 1		Illustration 2		Illustration 3		Illustration 4		Illustration 5	
Submission of the Bid-cum-Application Form (no. of Equity Shares)	150		100		200		300		500	
Subscription (times)	3.00		2.00		1.33		1.50		10.00	
Allotment (no. of Equity Shares)*	50		50		150		200		50	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Amount Paid on submission of the Bid-cum-Application Form	15,000	60,000	10,000	40,000	20,000	80,000	30,000	120,000	50,000	200,000
Refund, if any	Nil	20,000	Nil	20,000	Nil	20,000	Nil	40,000	30,000	180,000
By Due Date for payment of Balance Amount Payable on Allotment (first Call Notice)	5,000	Nil	10,000	Nil	40,000	Nil	50,000	Nil	Nil	Nil
Total Amount	20,000	20,000	20,000	20,000	60,000	60,000	80,000	80,000	20,000	20,000
Type of share issued	Not tradable till corporate action for appropriation of Balance Amount Payable	Fully paid-up and tradable	Not tradable till corporate action for appropriation of Balance Amount Payable	Fully paid-up and tradable	Not tradable till corporate action for appropriation of Balance Amount Payable	Fully paid-up and tradable	Not tradable till corporate action for appropriation of Balance Amount Payable	Fully paid-up and tradable	Fully paid-up and tradable	Fully paid-up and tradable

* Assuming Allotment arrived based on the Basis of Allocation and as per the mechanism described on page 406 and approved by the Stock Exchanges.

We exercise the option to adjust the excess amount received on submission of the Bid-cum-Application Form towards the Balance Amount Payable on Call Notice.

Comparison of Payment Methods (for QIB Bidders):
Assumption - Issue Price : Rs. 400.00

Payment Method	1	2	1	2	1	2	1	2	1	2
	Illustration 1		Illustration 2		Illustration 3		Illustration 4		Illustration 5	
Submission of the Bid-cum-Application Form (no. of Equity Shares)	150		100		200		300		500	
Subscription (times)	3.00		2.00		1.33		1.50		10.00	
Allotment (no. of Equity Shares)*	50		50		150		200		50	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Amount Paid on submission of the Bid-cum-Application Form	6,000	6,000	4,000	4,000	8,000	8,000	12,000	12,000	20,000	20,000
Refund, if any	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Payment on receipt of CAN	Nil	14,000	1,000	16,000	7,000	52,000	8,000	68,000	Nil	Nil
By Due Date for payment of Balance Amount Payable on Allotment (first Call Notice)	14,000	Nil	15,000	Nil	45,000	Nil	60,000	Nil	Nil	Nil
Total Amount	20,000	20,000	20,000	20,000	60,000	60,000	80,000	80,000	20,000	20,000
Type of share issued	Not tradable till corporate action for appropriation of Balance Amount Payable	Fully paid-up and tradable	Not tradable till corporate action for appropriation of Balance Amount Payable	Fully paid-up and tradable	Not tradable till corporate action for appropriation of Balance Amount Payable	Fully paid-up and tradable	Not tradable till corporate action for appropriation of Balance Amount Payable	Fully paid-up and tradable	Fully paid-up and tradable	Fully paid-up and tradable

* Assuming Allotment arrived based on the Basis of Allocation and as per the mechanism described on page 406 and approved by the Stock Exchanges.

We exercise the option to adjust the excess amount received on submission of the Bid-cum-Application Form towards either the amount payable on CAN or towards Balance Amount Payable on Call Notice.

c) **ALL NON RESIDENT BIDDERS AVAILING THE OPTION OF PAYMENT METHOD-1 ARE REQUIRED TO SUBMIT A COPY OF AN APPROVAL FROM THE RBI ALLOWING THEM TO SUBSCRIBE TO THE PARTLY-PAID UP EQUITY SHARES.**

d) Every Bidder should indicate the choice of Payment Method (i.e. Payment Method 1 or Payment Method 2 as applicable) in the Bid-cum-Application Form, subject to the Bidder's eligibility for the Payment Method. Once the choice is indicated, the Bidder should not revise the selection. No Bidder can select both the Methods in a Bid-cum-Application Form

5) **Important note:**

If investors who opt for Payment Method-1 do not pay the Balance Amount Payable, the amount raised through the Issue will be lower than the proposed Issue size. Further, Equity Shares issued to Non Institutional and QIB Bidders who opt for Payment Method-1 will not be traded till the corporate action for credit of fully paid shares is completed if the Call Notice is issued on Allotment. Further, Equity Shares issued to Bidders in the Retail

Portion and Existing Retail Shareholders who opt for Payment Method-1 will not be traded till corporate action for credit of 56.18% (of price payable by Existing Retail Shareholders and Retail Bidders) paid up Equity Shares is completed. The Equity Shares so allotted shall be traded as 56.18% (of price payable by Existing Retail Shareholders and Retail Bidders) paid up till such time as the second Call Notice is issued and shall be tradable as fully paid up after corporate action for appropriation of Balance Amount Payable upon issuance of second Call Notice within six months of date of the Allotment.

The Balance Amount Payable as per the Call Notice issued by us, if any, may not be paid and the amount raised through the Issue may be lower than the proposed Issue. Further, shares, if any, issued pursuant to Payment Method-1, will, unless the over-subscription amount is equal to or in excess of the Balance Amount Payable, not be traded after the Allotment has been made until the Balance Amount Payable is received and corporate action for appropriation of the amounts received towards Balance Amounts Payable is taken. Further, Equity Shares issued to Bidders in the Retail Portion and Existing Retail Shareholders who opt for Payment Method-1 shall be traded as 56.18% (of price payable by Existing Retail Shareholders and Retail Bidders) paid up till such time as the second Call Notice is issued and shall be tradable as fully paid up after corporate action for appropriation of Balance Amount Payable upon issuance of second Call Notice within six months of the Allotment. In this issue investors opting for Payment Method-1 shall be required to make the payment of the Balance Amount Payable by the due date for payment of Balance Amount Payable. The process of corporate action may take about two weeks from the date of payment of the Balance Amount Payable. During this period shareholders who pay the Balance Amount Payable for the partly paid shares will not be able to trade in those shares.

The notice of the Balance Amount Payable and Due Date for Balance Amount Payable will be published in two widely circulated newspapers (one each in English and Hindi) and a regional newspaper along with the statutory advertisement for the Basis for Allotment.

IF THE CALL NOTICE IS NOT ISSUED ON ALLOTMENT, PARTLY PAID EQUITY SHARES ISSUED TO INVESTORS WOULD TRADE UNDER A SEPARATE ISIN NO. FOR FURTHER DETAILS PLEASE SEE "ISSUE PROCEDURE" ON PAGE 382.

- 6) For the avoidance of doubt it is hereby clarified that Existing Retail Shareholders may submit a bid in the Existing Retail Shareholders Reservation Portion up to a value of Rs. 100,000 as well as a bid in the Retail Portion up to a value of Rs. 100,000. Such bids shall not be considered as multiple applications.

GREEN SHOE OPTION

We intend to establish an option for allocating Equity Shares in excess of the Equity Shares that are included in the Issue in consultation with the BRLMs and CBRLMs and the Stabilizing Agent to operate a price stabilization mechanism in accordance with the applicable DIP Guidelines.

We have appointed DSPML as the Stabilising Agent, for performance of the role of Stabilising Agent as envisaged in Chapter VIIIA of the DIP Guidelines, including price-stabilizing post listing, if required. There is no obligation to conduct stabilizing measures. If commenced, stabilization will be conducted in accordance with applicable laws and regulations and such stabilization may be discontinued at any time and will not continue for a period exceeding 30 days from the date when trading permission is given by the Stock Exchanges. The Stabilising Agent will borrow Equity Shares from Green Shoe Lender. The Equity Shares borrowed from Green Shoe Lender or purchased in the market for stabilizing purposes will be in demat form only. The Equity Shares available for allocation under the Green Shoe Option will be available for allocation to Qualified Institutional Buyers, Non-Institutional Bidders and Retail Bidders in the ratio of 50:15:35 assuming full demand in each category. On June 11, 2007, we entered into a Stabilization Agreement with Life Insurance Corporation of India, the Green Shoe Lender and DSPML, the Stabilising Agent to lend 14,197,011 Equity Shares*.

* The total number of Equity Shares issued may be required to be adjusted *inter alia* for the Rs.50 discount to be offered to Existing Retail Shareholders and Retail Bidders and the exact number of Equity Shares allotted in this Issue, pursuant to completion of Book Building Process.

The terms of the Stabilization Agreement provide that:

Stabilisation Period

“Stabilisation Period” shall mean the period commencing from the date we are given trading permission from the Stock Exchanges for the Equity Shares allotted in the Issue and ending 30 days thereafter, unless terminated earlier by the Stabilising Agent.

Procedure for Over Allotment and Stabilisation

- (i) The monies received from the applications for Equity Shares in the Issue against the over Allotment shall be kept in the GSO Bank Account, which is a distinct account separate from the Public Issue Account and shall be used only for the purpose of stabilization of the post listing price of the Equity Shares.
- (ii) The allocation of the Over Allotment Shares shall be done in conjunction with the allocation of Issue so as to achieve pro-rata distribution.
- (iii) Upon such allocation, the Stabilising Agent shall transfer the Over-Allotment Shares from the GSO Demat Account to the respective depository accounts of successful Bidders.
- (iv) For the purpose of purchasing the Equity Shares from the market, the Stabilizing Agent shall use the funds lying to the credit of GSO Bank Account.
- (v) The Stabilising Agent shall solely determine the timing of buying the Equity Shares, the quantity to be bought and the price at which the Equity Shares are to be bought from the market for the purposes of stabilization of the post-listing price of the Equity Shares.
- (vi) The Equity Shares purchased from the market by the Stabilising Agent, if any, shall be credited to the GSO Demat Account and shall be returned to the Green Shoe Lender immediately on the expiry of the Stabilisation Period but in no event later than the expiry of two working days thereafter.
- (vii) In the event the Equity Shares lying to the credit of the GSO Demat Account at the end of the Stabilisation Period but before the transfer to the Green Shoe Lender is less than the Over Allotment Shares, upon being notified by the Stabilising Agent and the equivalent amount being remitted to us from the GSO Bank Account, we shall within four (4) days of the receipt of notice from the Stabilising Agent of the end of the Stabilisation Period allot new Equity Shares in dematerialized form in an amount equal to such shortfall to the credit of the GSO Demat Account. The newly issued Equity Shares shall be returned by the Stabilising Agent to the Green Shoe Lender in final settlement of Equity Shares borrowed, within two (2) working days of them being credited into the GSO Demat Account, time being of essence in this behalf.
- (viii) Upon the return of Equity Shares to the Green Shoe Lender pursuant to and in accordance with sub-clauses (vi) and (vii) above, the Stabilizing Agent shall close the GSO Demat Account.

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GSO Bank Account

The Stabilising Agent shall remit from the GSO Bank Account to us, an amount, in Indian Rupees, equal to the number of Equity Shares to be allotted by us to the GSO Demat Account at Issue Price. The amount left in this account, if any, after this remittance and deduction of expenses including depository, brokerage and transfer fees and net of taxes, if any, incurred by the Stabilising Agent in connection with the activities under the Stabilization Agreement, shall be transferred to the Investor Protection Fund of the Stock Exchanges in equal parts. Upon the return of Equity Shares to the Green Shoe Lender, the Stabilising Agent will close the GSO Bank Account.

Reporting

During the Stabilisation Period, the Stabilising Agent will submit a report to the Stock Exchanges on a daily basis. The Stabilising Agent will also submit a final report to SEBI in the format prescribed in Schedule XXIX of the DIP Guidelines. This report will be signed by the Stabilizing Agent and us and be accompanied by the depository statement for the GSO Demat Account for the Stabilisation Period indicating the flow of shares into and from the GSO Demat Account.

Rights and obligations of the Stabilising Agent

- (i) Open a special bank account "Special Account for GSO Proceeds of ICICI Bank Limited" or GSO Bank Account and deposit the money received against the over-Allotment in the GSO Bank Account.
- (ii) Open a special account for securities "Special Account for GSO Shares of ICICI Bank Limited" or GSO Demat Account and receive the Equity Shares lent by the Green Shoe Lender and allocate Equity Shares from that account to successful bidders and credit the Equity Shares bought by the Stabilising Agent, if any, during the Stabilisation Period to the GSO Demat account.
- (iii) Stabilize the market price only in the event of the market price falling below the Issue Price as per DIP Guidelines, including determining quantity and the price at which Equity Shares to be bought and the timing thereof .
- (iv) On exercise of Green Shoe Option at the end of the Stabilization Period, to request us to issue Equity Shares and to transfer funds from the GSO Bank Account to us within a period of five working days of close of the Stabilisation Period.
- (v) On expiry of the Stabilisation Period, to return the Equity Shares to the Green Shoe Lender from the GSO Demat Account that were acquired either through market purchases or issued by us on exercise of Green Shoe Option as part of stabilizing process.
- (vi) To submit daily reports to the Stock Exchanges during the Stabilisation Period and to submit a final report to SEBI.
- (vii) To maintain a register of its activities and retain the register for three years. Net gains on account of market purchases in the GSO Bank Account to be transferred net of all expenses and net of taxes, if any, equally to the Investor Protection Fund of the Stock Exchanges.

Rights and obligations of the Green Shoe Lender

- (i) The Green Shoe Lender undertakes to execute and deliver all necessary documents and give all necessary instructions to procure that all rights, title and interest in the Equity Shares lent shall pass to the Stabilising Agent in the GSO Demat Account free from all liens, charges and encumbrances.
- (ii) On receipt of notice from the Stabilising Agent, to transfer the loaned Equity Shares into the GSO Demat account.
- (iii) The Green Shoe Lender will not recall or create any lien or encumbrance on the Equity Shares lent until the transfer of Equity Shares to the GSO Demat Account under the terms of the Stabilization Agreement.

Fees and Expenses

- (i) We shall pay to the Green Shoe Lender a fee as agreed under the Stabilisation Agreement for lending the Equity shares and facilitating providing the stabilization process.
- (ii) We will pay the Stabilising Agent a fee of Re. 1 plus applicable service tax for providing the stabilizing services.

(iii) The Stabilising Agent shall deduct from the GSO Bank Account the following expenses:

- Demat and transfer costs; and
- Brokerage/underwriting fees and selling commission including any service tax and securities transaction tax.

However, the expenses will be subject to the availability of any proceeds in the GSO Bank Account and as stipulated in the DIP Guidelines in this regard.

Procedure for exercise of Green Shoe Option

The primary objective of the Green Shoe mechanism is stabilization of the market price of Equity Shares after listing. Towards this end, after listing of Equity Shares, in case the market price of the Equity Shares fall below the Issue Price, then the Stabilisation Agent, at its sole and absolute discretion, may start purchasing Equity Shares from the market with the objective of stabilization of the market price of the Equity Shares. The Stabilising Agent, at its sole and absolute discretion, would decide the quantity of Equity Shares to be purchased, the purchase price and the timing of purchase. The Stabilisation Agent, at its sole and absolute discretion, may spread orders over a period of time or may not purchase any Equity Shares under certain circumstances where it believes purchase of Equity Shares may not result in stabilization of market price.

Further, the Stabilisation Agent does not give any assurance that would it be able to maintain the market price at or above the Issue Price through stabilization activities.

The funds lying to the credit of GSO Bank Account would be utilized by the Stabilisation Agent to purchase the Equity Shares from the market and such Equity Shares would be credited to GSO Demat Account. The operations of GSO Demat Account and GSO Bank Account are explained in the paragraphs above.

Example of working of green shoe option (Investors should note that the following is solely for the purpose of illustration and is not specific to this Issue)

For example, in case of a public issue of 100,000 equity shares at a price of Rs. 100 each where a Green Shoe Option of 10% of the issue size is given:

Issue size - 100,000 equity shares aggregating Rs. 10,000,000

Green shoe - 10,000 equity shares aggregating Rs. 1,000,000

In this case 10,000 shares corresponding to the green shoe will be borrowed from a green shoe lender. After the issue has closed and assuming bids have been received for 110,000 equity shares the issuer company in consultation with the book running lead managers will allot a total of 110,000 equity shares aggregating Rs. 11,000,000 to valid applicants. After listing of the equity shares on the exchanges the following two cases may arise:

Market price of equity shares falls below the issue price of Rs. 100 during the stabilisation period

In such a case the stabilising agent at its discretion may buy shares from the market to stabilise the price. The stabilising agent can buy shares up to the total number of shares borrowed from the green shoe lender which is the size of the green shoe i.e. 10,000 equity shares, as the stabilising agent deems fit. The stabilising agent will purchase shares at its discretion during the period the green shoe option is valid. The stabilising agent may in certain instances decide not to buy shares from the market. In the current illustration, say the green shoe period is 30 days in which the stabilising agent bought 2,345 shares. After the stabilization period has ended the stabilising agent will return the shares bought from the market to the green shoe lender viz. 2,345 shares and the company will issue fresh shares to the green shoe account for the balance shares which have to be returned to the lender viz. 7,655 equity shares (10,000 less 2,345). Therefore, the 10,000 shares which were borrowed from the lender will be duly returned. In this case the total shares issued by the company will be 107,655 shares and the issue size will be Rs. 10,765,500.

Market price of equity shares rises above the issue price during the stabilisation period

In such a case the stabilising agent will not need to stabilise the price and will not buy any equity shares from the market. At the end of the stabilization period, the company will issue 10,000 fresh shares to the green shoe account which will be duly returned to the green shoe lender.

In this case the total shares issued by the company will be 110,000 shares and the issue size will be Rs. 11,000,000.

Selected Financial Information
(as per Unconsolidated Financial statements under Indian GAAP)

Our financial and other data for fiscal 2003 through fiscal 2007 included in this Prospectus have been derived from our unconsolidated financial statements prepared in accordance with generally accepted accounting principles in India, or Indian GAAP, guidelines issued by RBI from time to time and practices generally prevailing in the banking industry in India. The financial statements for fiscal 2003 were jointly audited by N. M. Raiji & Co., Chartered Accountants and S. R. Batliboi & Co., Chartered Accountants, for fiscal 2004 through fiscal 2006 were audited by S. R. Batliboi & Co., Chartered Accountants and for fiscal 2007 by BSR & Co., Chartered Accountants. You should read the following discussion and analysis of our selected financial and operating data with the more detailed information contained in our audited unconsolidated financial statements. The following discussion is based on our audited unconsolidated financial statements and accompanying notes prepared in accordance with Indian GAAP.

Operating results data

The operating results data for fiscal 2003, 2004, 2005, 2006 and 2007 is given below:

(in billions, except per share data)

	Year ended March 31,				
	2003	2004	2005	2006	2007
Interest income					
Interest on advances ⁽¹⁾	Rs. 61.73	Rs. 63.80	Rs. 71.22	Rs. 102.07	Rs. 160.96
Income on investments ⁽²⁾	29.10	25.40	22.29	36.93	59.89
Interest on balances with RBI, other inter-bank funds and others	4.42	3.88	4.28	4.06	9.09
Total interest income	95.25	93.08	97.79	143.06	229.94
Interest expense					
Interest on deposits	(24.80)	(30.23)	(32.52)	(58.37)	(116.48)
Interest on RBI / inter-bank borrowings	(1.83)	(2.29)	(2.53)	(9.25)	(13.00)
Others (including interest on borrowings of erstwhile ICICI Limited) ⁽³⁾	(52.81)	(37.63)	(30.66)	(28.35)	(34.10)
Total interest expense	(79.44)	(70.15)	(65.71)	(95.97)	(163.58)
Net interest income	15.81	22.93	32.08	47.09	66.36
Other income					
Commission, exchange and brokerage	7.92	10.72	19.21	30.02	43.31
Profit/ (loss) on sale of investments (net)	4.92	12.25	5.46	7.50	11.15
Profit/ (loss) on foreign exchange transactions (net)	0.10	1.93	3.15	4.73	6.44
Profit/ (loss) on revaluation of investments (net) ⁽⁴⁾	(1.36)	(1.08)	(2.77)	(8.56)	(10.34)
Lease income	5.37	4.21	4.08	3.61	2.38
Profit on sale of shares of ICICI Bank held by ICICI	11.91	-	-	-	-
Miscellaneous income ⁽⁵⁾	1.37	1.54	2.26	4.51	6.35
Total other income	30.23	29.57	31.39	41.81	59.29
Total income	46.04	52.50	63.47	88.90	125.65
Operating expenses ⁽⁶⁾	(15.35)	(19.98)	(25.17)	(35.48)	(49.79)
Direct market agency expense	(3.19)	(6.00)	(8.54)	(11.77)	(15.24)
Depreciation on leased assets	(3.15)	(2.79)	(2.97)	(2.77)	(1.88)
Operating profit before provisions	24.35	23.73	26.79	38.88	58.74

(in billions, except per share data)

	Year ended March 31,				
	2003	2004	2005	2006	2007
Provisions and contingencies	(16.55)	(4.71)	(1.52)	(7.92)	(22.26)
Profit before tax	7.80	19.02	25.27	30.96	36.48
Tax	4.26	(2.65)	(5.22)	(5.56)	(5.38)
Profit after tax	Rs. 12.06	Rs. 16.37	Rs. 20.05	Rs. 25.40	Rs. 31.10
Dividend per share (Rs)	7.50	7.50	8.50	8.50	10.00
Dividend tax per share (Rs)	0.96	0.96	1.19	1.19	1.70
Earnings per share (basic) ⁽⁷⁾	19.68	26.66	27.55	32.49	34.84
Earnings per share (diluted) ⁽⁷⁾	19.65	26.44	27.33	32.15	34.64
Adjustments as per SEBI Guidelines					
Profit after tax	Rs. 12.06	Rs. 16.37	Rs. 20.05	Rs. 25.40	Rs. 31.10
Add/(less):-					
1) Adjustment for change in methodology for ascertaining carrying cost of investments, accounting for repurchase transactions and review of useful life of ATMs	(0.16)	-	-	-	-
2) Adjustment for change in accounting policy relating to unrealised gains on rupee derivatives (net of provisions) ⁽⁸⁾	-	-	(0.47)	-	-
3) Tax effect for the above adjustments	0.06	-	0.17	-	-
Adjusted profit after tax	Rs. 11.96	Rs. 16.37	Rs. 19.75	Rs. 25.40	Rs. 31.10

- (1) Interest on advances represents interest on rupee and foreign currency loans and advances (including bills) and hire purchase activity and gains on sell-down of loans. Commission paid to direct marketing agents / dealers for origination of retail automobile loans which was being netted from "Interest Income" up to the year ended March 31, 2006 has been reclassified to "Operating Expenses".
- (2) Interest income from investments represents primarily amounts earned on SLR investments, debentures, bonds, dividend income from equity and other investments in companies other than subsidiaries.
- (3) Other interest expense includes primarily interest expense on borrowings taken over from erstwhile ICICI Limited, commercial paper bonds and debentures, subordinated debt and bills rediscounted and borrowings outside India.
- (4) As required by Reserve Bank of India circular no. DBOD.BP.BC.87/21.04.141/2006-07 dated April 20, 2007, the Bank has deducted the amortisation of premium on Government securities, which was earlier included in "Other provisions and contingencies", from "Other income". Prior period figures have been reclassified to conform to the current classification.
- (5) Miscellaneous income primarily includes dividend income from subsidiaries/ affiliates.
- (6) Operating expenses includes primarily employee expenses, establishment, depreciation on fixed assets, amortisation of expenses related to Early Retirement Option Scheme and other general office expenses.
- (7) Earning per share (EPS) is computed based on weighted average number of shares.
- (8) Effective April 1, 2004, the Bank has accounted for unrealized gains on rupee derivatives (net of provisions) as compared to its earlier policy of ignoring the unrealized gains.

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- (9) Effective April 1, 2005, the Bank has aligned its accounting policy for subvention income with its accounting policy for direct marketing agency/ associate expenses. Accordingly, subvention income has been accounted for in the period in which it is received instead of over the period of the loan. The impact of the change on profit after tax is not significant.
- (10) Effective April 1, 2004, the commissions paid to direct marketing agents (DMAs) of auto loans, net of subvention income received from them, is recorded upfront in the profit and loss account. For disbursements made till March 31, 2004, the gross commissions paid to direct marketing agents (DMAs) of auto loans were recorded upfront in the profit and loss account and subvention income received from them is being amortised over the life of the loan. The impact of the change is not significant.
- (11) It has not been possible to determine the effect on profits if changes in accounting policies stated above had been made in each of the accounting years preceding the change and accordingly adjustments to profits for those items have not been made.
- (12) Figures of the previous years have been regrouped to conform to the current year presentation.

For other notes to accounts please refer to audited financial statements included in this Prospectus.

Balance sheet data

The balance sheet data for fiscal 2003, 2004, 2005, 2006 and 2007 is given below:

(in billions)

	At March 31,				
	2003	2004	2005	2006	2007
Assets:					
Cash in hand and balance with RBI	Rs. 48.86	Rs. 54.08	Rs. 63.45	Rs. 89.34	Rs. 187.07
Balance with banks and money at call and short notice	16.03	30.63	65.85	81.06	184.14
Investments (net of provisions)					
Government and other approved securities	255.83	299.18	344.82	510.75	673.68
Debentures and bonds	56.90	55.49	28.54	18.04	24.63
Others ⁽¹⁾	41.89	79.69	131.51	186.68	214.27
Total investments	354.62	434.36	504.87	715.47	912.58
Advances ⁽²⁾	532.79	626.48	914.05	1,461.63	1,958.66
Fixed and leased assets	40.61	40.56	40.38	39.81	39.23
Other assets ⁽³⁾	75.21	66.18	87.99	126.58	164.90
Total assets	Rs.1,068.12	Rs.1,252.29	Rs.1,676.59	Rs.2,513.89	Rs.3,446.58
Liabilities and capital:					
Deposits					
Demand deposits	Rs. 36.89	Rs. 72.59	Rs. 128.37	Rs. 165.73	Rs. 213.76
Saving deposits	37.93	83.72	113.92	209.37	288.39
Term deposits	406.87	524.78	755.90	1,275.73	1,802.95
Total deposits	481.69	681.09	998.19	1,650.83	2,305.10
Borrowings ⁽⁴⁾	343.02	307.40	335.44	385.22	512.56
Unsecured redeemable debenture/bonds (subordinated debt) ⁽⁵⁾	97.50	91.06	82.09	101.44	194.05
Other liabilities and provisions ⁽⁶⁾	73.07	89.14	131.87	150.84	188.24
Preference share capital suspense	-	-	-	-	-

(in billions)

	At March 31,				
	2003	2004	2005	2006	2007
Preference share capital ⁽⁷⁾	3.50	3.50	3.50	3.50	3.50
Equity capital ⁽⁸⁾	6.13	6.16	7.37	8.90	8.99
Reserves and surplus					
Statutory reserves	5.52	9.61	14.63	20.99	28.79
Debenture redemption reserve	-	-	-	-	-
Special reserve	11.44	11.69	11.94	14.69	19.19
Capital reserves	2.00	4.65	4.85	5.53	6.74
Share premium (net of share issue expenses)	8.02	8.52	39.89	118.18	120.15
Investment fluctuation reserve	1.27	7.30	5.16	-	-
Foreign currency translation reserve	-	-	-	-	(0.50)
Revenue & other reserves	34.91	31.64	39.78	50.84	49.79
Balance in profit & loss account	0.05	0.53	1.88	2.93	9.98
Total reserves and surplus	63.21	73.94	118.13	213.16	234.14
Total liabilities and capital	Rs.1,068.12	Rs.1,252.29	Rs.1,676.59	Rs.2,513.89	Rs.3,446.58
Contingent liabilities					
Claims against bank not acknowledged as debts	Rs. 20.25	Rs. 25.02	Rs. 27.46	Rs. 29.78	Rs. 39.12
Liability for partly paid investments	1.80	1.24	0.17	0.17	0.17
Liability on account of outstanding forward exchange contracts	251.03	557.04	714.85	918.32	1,331.56
Guarantees given on behalf of constituents	106.35	120.29	156.41	191.03	292.12
Acceptances, endorsements & other obligations	43.25	65.14	74.12	106.87	186.71
Currency swaps	29.01	44.49	112.96	172.42	325.26
Interest rate swaps & currency options	413.54	1,177.64	1,519.22	2,471.92	3,346.92
Other items for which ICICI Bank is contingently liable	29.14	38.56	76.35	59.84	107.74
Total	Rs.894.37	Rs.2,029.42	Rs.2,681.54	Rs.3,950.34	Rs.5,629.60
Bills for collection	13.37	15.11	23.92	43.38	40.47

- (1) Includes investment in Government securities issued outside India.
- (2) Includes rupee / foreign currency loans, assistance by way of securitisation, loans under retail finance operations and receivables under finance lease.
- (3) Includes primarily interest accrued but not due at period end, advances paid for capital assets, advance taxes paid, deposits for utilities, outstanding fees and other income, exchange fluctuation suspense with Government of India, inter office adjustments (net) and non-banking assets acquired in satisfaction of claims and deferred tax asset.
- (4) Borrowings include call borrowings and refinance from RBI, banks and other financial institutions, borrowings taken over from erstwhile ICICI Limited, bonds and debentures, commercial paper and borrowings outside India from multilateral and bilateral credit agencies, international-banks, institutions and consortiums.
- (5) Includes unsecured borrowings eligible for inclusion in Tier-I and Tier-II capital for capital adequacy purposes.
- (6) Other liabilities primarily include bills payable, interest accrued but not due, creditors for expenses, unclaimed refunds, brokerage and interest, deferred tax liability, proposed dividend, dividend tax thereon, general provision on standard assets as per RBI norms and security deposits from clients.

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- (7) For these preference shares, the notification dated April 17, 2002 from Ministry of Finance, Government of India, issued on the recommendation of RBI, under Section 53 of the Banking Regulation Act, 1949 had exempted the Bank from the restriction of section 12(1) of the Banking Regulation Act, 1949, which prohibits the issue of preference shares by banks, for a period of five years. The Bank has applied for RBI for making a recommendation to Central Government for continuation of such exemption.
- (8) As on March 31, 2007 equity capital includes 110,967,096 equity shares of Rs. 10 each issued vide prospectus dated December 8, 2005 and 37,237,460 equity shares of Rs. 10 each fully paid up issued consequent to issue of 18,618,730 American depository shares (ADS) vide prospectus dated December 6, 2005.
- (9) Figures of the previous years have been regrouped to conform to the current period presentation.

Average Balance Sheet

For fiscal years 2005 and 2006, the average balances are the averages of quarterly balances outstanding at the end of March of the previous fiscal year and June, September, December and March of that fiscal year. For fiscal year 2007, the average balances are the averages of daily balances. The following table sets forth, for the periods indicated, the average balances of the assets and liabilities outstanding, along with the related interest income and interest expense. The average balances of assets include non-performing assets and are net of loan loss provisions.

(in billions, except percentages)

				Year ended March 31,					
	2005			2006			2007		
	Average balance expense	Interest income/cost	Avg. yield /	Average balance expense	Interest income/cost	Avg. yield /	Average balance	Interest income/cost	Avg. yield / cost
Advances	Rs. 720.26	Rs. 71.22	9.9%	Rs. 1,120.38	Rs. 102.07	9.1%	Rs. 1,620.66	Rs. 160.96	9.9%
Investments	347.66	22.29	6.4	472.66	36.93	7.8	728.69	59.89	8.2
Others	95.22	4.28	4.5	127.53	4.06	3.2	227.92	9.09	4.0
Total interest-earning assets	1,163.14	97.79	8.4%	1,720.57	143.06	8.3%	2,577.27	229.94	8.9%
Fixed assets	24.26			26.99			38.96		
Other assets	159.09			225.46			227.80		
Total assets	Rs.1,346.49	Rs. 97.79		Rs. 1,973.02	Rs. 143.06		Rs. 2,844.03	Rs. 229.94	
Deposits	Rs. 728.90	Rs. 32.52	4.5%	Rs. 1,166.07	Rs. 58.37	5.0%	Rs. 1,875.18	Rs. 116.48	6.2%
Saving deposits	92.64	2.18	2.4	148.79	3.95	2.7	255.62	6.76	2.7
Other demand deposits	78.51	-	-	120.86	-	-	173.26	-	-
Term deposits	557.75	30.34	5.4	896.42	54.42	6.1	1,446.31	109.71	7.6
Borrowings	409.35	33.19	8.1	492.66	37.60	7.6	609.81	47.10	7.7
Total interest bearing liabilities	1,138.25	65.71	5.8%	1,658.73	95.97	5.8%	2,484.99	163.58	6.6%
Capital and reserves ⁽¹⁾	119.82			179.71			231.68		
Other liabilities	88.42			134.58			127.36		
Total liabilities	Rs. 1,346.49	Rs.65.71		Rs.1,973.02	Rs.95.97		Rs. 2,844.03	Rs. 163.58	

(1) Excludes preference share capital.

Yields, Spreads and Margins

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

(in billions, except percentage)

	Year ended March 31,				
	2003	2004	2005	2006	2007
Average interest-earning assets	Rs. 912.99	Rs. 984.93	Rs. 1,163.14	Rs. 1,720.57	Rs. 2,577.27
Average interest-bearing liabilities	891.62	989.66	1,138.25	1,658.73	2,484.99
Average total assets	1,050.28	1,138.36	1,346.49	1,973.02	2,844.03
Average interest-earning assets as a percentage of average total assets (%)	86.9	86.5	86.4	86.5	90.6
Average interest-bearing liabilities as a percentage of average total assets (%)	84.9	86.9	84.5	84.1	87.4
Average interest-earning assets as a percentage of average interest-bearing liabilities (%)	102.4	99.5	102.2	102.9	103.7
Yield (%)	10.4	9.5	8.4	8.3	8.9
Cost of funds (%)	8.9	7.1	5.8	5.8	6.6
Spread ⁽¹⁾ (%)	1.52	2.36	2.63	2.47	2.34
Net interest margin ⁽²⁾ (%)	1.73	2.33	2.76	2.74	2.57

- (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 years 2003, 2004, 2005 and 2006, the average balances are the averages of quarterly balances outstanding at the end of March of the previous fiscal year and June, September, December and March of that fiscal year. For fiscal year 2007, the average balances are the averages of daily balances.

Financial Ratios

(in percentages)

	Year ended March 31,				
	2003	2004	2005	2006	2007
Return on average equity ⁽¹⁾	18.3	21.8	17.9	16.4	13.4 ⁽²⁾
Return on average assets ⁽³⁾	1.2	1.4	1.5	1.3	1.1
Dividend payout ratio ⁽⁴⁾	38.1	33.2	31.6	29.8	28.9
Cost to average assets ⁽⁵⁾	1.5	1.8	1.9	1.8	1.8
Tier I capital adequacy ratio	7.1	6.1	7.6	9.2	7.4
Tier II capital adequacy ratio	4.0	4.3	4.2	4.2	4.3
Total capital adequacy ratio	11.1	10.4	11.8	13.4	11.7 ⁽⁹⁾
Net non-performing assets ratio ⁽⁶⁾	4.92	2.87	2.03	0.71	0.98
Allowance as a % of gross non-performing assets ⁽⁷⁾	62.6	69.7	61.4	63.7	58.4
Average equity to total average assets	6.27	6.59	8.34	7.83	8.15
Book value per share ⁽⁸⁾	113.10	127.27	168.63	248.56	269.81

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- (1) Return on average equity is the ratio of the net profit after tax to the average equity.
- (2) Return on average equity including profit of banking subsidiaries and excluding investment in insurance subsidiaries was 15.5%.
- (3) Return on average assets is the ratio of the net profit after tax to the average assets.
- (4) Dividend payout ratio is the ratio of total dividend payouts (excluding dividend distribution tax) to profit after tax.
- (5) Cost to average assets is the ratio of the operating expenses, excluding direct marketing agency expenses and lease depreciation, to the average assets.
- (6) Net non-performing assets ratio is the ratio of net non-performing assets to the net customer assets.
- (7) Allowance as a percentage of gross non-performing assets is the ratio of provisions and write-offs made to the gross non-performing assets (gross of provisions and technical write-offs).
- (8) Book value per share is calculated by dividing the sum of equity share capital, reserves and surplus less unamortised Early Retirement Option expenses by the total number of shares outstanding at the end of the year/period. Deferred tax asset is not deducted while computing book value per share.
- (9) The computation of capital adequacy ratio for fiscal 2007 excludes USD 750 million of foreign currency bonds raised for Upper Tier-II capital, pending clarification required by Reserve Bank of India regarding certain terms of these bonds. If these bonds were considered as Tier-II capital, the total capital adequacy ratio would be 12.81% and Tier-II capital adequacy ratio would be 5.40%.
- (10) For fiscal years 2003, 2004, 2005 and 2006, the average balances are the averages of quarterly balances outstanding at the end of March of the previous fiscal year and June, September, December and March of that fiscal year. For fiscal 2007, the average balances are the averages of daily balances.

GENERAL INFORMATION

Our Registered Office

ICICI Bank Limited
'Landmark',
Race Course Circle
Vadodara 390 007
Tel: 91-265-2339923/25/27/28
Fax: 91-265-2339926

Corporate Identification Number: - L65190GJ1994PLC021012

We are registered with the Registrar of Companies, Gujarat, Dadra and Nagar Haveli situated at RoC Bhavan, Opposite Rupal Park, Near Ankur Bus Stand, Naranpura, Ahmedabad 380013.

Board of Directors

1. Mr. Narayanan Vaghul, Chairman (Independent Director)
2. Mr. Sridar Iyengar (Independent Director)
3. Mr. Ram Kishore Joshi (Independent Director)
4. Mr. Lakshmi Niwas Mittal (Independent Director)
5. Mr. Narendra Murkumbi (Independent Director)
6. Mr. Anupam Pradip Puri (Independent Director)
7. Mr. Vinod Rai – Government of India Nominee
8. Mr. Mahendra Kumar Sharma (Independent Director)
9. Mr. Priya Mohan Sinha (Independent Director)
10. Prof. Marti Gurunath Subrahmanyam (Independent Director)
11. Mr. Thai Salas Vijayan (Independent Director)
12. Mr. Vivan Prem Watsa (Independent Director)
13. Mr. Kundapur Vaman Kamath, Managing Director & CEO
14. Ms. Chanda D. Kochhar, Deputy Managing Director
15. Dr. Nachiket Mor, Deputy Managing Director
16. Mr. V. Vaidyanathan, Executive Director*
17. Ms. Madhabi Puri Buch, Executive Director (appointed effective June 1, 2007)**

* Subject to approval of Shareholders

** Subject to approval of RBI and Shareholders

For further details of our Chairman, our Managing Director and whole time Directors, refer to the section titled "Our Management" on page 158 of this Prospectus.

Company Secretary and Compliance Officer

Mr. Jyotin Mehta
General Manager and Company Secretary
ICICI Bank Limited
ICICI Bank Towers
Bandra-Kurla Complex
Mumbai 400 051
Tel: 91-22-2653 1414
Fax: 91-22-2653 1230
E-mail: jyotin.mehta@icicibank.com

Investors can contact the Compliance Officer or the Registrar in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of allocation, credit of allotted Equity Shares in the respective beneficiary account or refund orders, etc.

ICICI BANK LIMITED

Book Running Lead Managers (BRLMs)

Goldman Sachs (India) Securities Private Limited (Reg. No.: INM000011054) 249 – B, Neelam Centre, 2 nd Floor, A- Wing Hind Cycle Road, Worli, Mumbai – 400018 Tel: +91-22-6616-9000 Fax: +91-22-6616-9090 Email: icicibank_issue@gs.com Contact Person: Sachin Dua Website: www.gs.com	DSP Merrill Lynch Limited (Reg. No.: INM000002236) Mafatlal Centre, 10th Floor, Nariman Point, Mumbai 400 021 Tel: 91-22-6632 8000 Fax: 91-22-2204 8518 Email: ICICI_fpo@ml.com Contact Person: Mr. N.S. Shekhar Website: www.dspml.com
Enam Financial Consultants Private Limited (Reg. No: IINM000006856) 801, Dalamal Towers, Narman Point, Mumbai 400021 Tel : 91-22-6638 1800 Fax : 91-22-2284 6824 Email : icicibankfpo@enam.com Contact Person : Mr. Amit Jain Website :www.enam.com	JM Financial Consultants Private Limited (formerly known as JM Morgan Stanley Private Limited) (Reg. No: INM000010361) 141, Maker Chambers III, Nariman Point, Mumbai 400 021, India Tel.: +91 22 6630 3030 Fax.: +91 22 2204 7185 Email: icicifpo@jmfinancial.in Contact Person: Poonam Karande Website: www.jmfinancial.in

Co-Book Running Lead Managers (CBRLMs)

ICICI Securities Primary Dealership Limited (Reg. No : INM000001113) ICICI Centre, H. T. Parekh Marg, Churchgate, Mumbai 400020 Tel.: +91 22 2288 2460 Fax: +91 22 2282 6580 Email: icicibank_fpo@isecltd.com Contact Person: Amit Ramchandani Website: www.icicisecurities.com	JP Morgan India Private Limited (Reg. No : INM000002970) 9th Floor, Mafatlal Center, Nariman Point, Mumbai – 400 021, India Tel.: +91 22 2285 5666 Fax: +91 22 6639 3091 Email: icicibank_fpo@jpmorgan.com Contact Person: Puspen Karmakar Website: www.jpmpi.com
CLSA India Limited (Reg No.: INM000010619) 8/f Dalamal House, Nariman Point, Mumbai - 400 021 Tel. : + 91 22 6650 5050 Fax : + 91 22 2285 6524 Email: icicibankfpo@clsa.com Contact Person : Sumit Jalan Website: www.india.clsa.com	

Legal Advisors

Domestic Legal Counsel to ICICI Bank

Amarchand & Mangaldas & Suresh A. Shroff & Co.
Peninsula Chambers
Peninsula Corporate Park
Ganpatrao Kadam Marg
Lower Parel
Mumbai – 400 013
Tel: 91-22-2496 4455
Fax: 91-22-2496 3666

International Legal Counsel to ICICI Bank**Davis Polk & Wardwell**

15 Avenue Matignon
75008 Paris, France
Tel: 33-1-56 59 3614
Fax: 33-1-56 59 3690

Domestic Legal Counsel to the Underwriters**M/s. Khaitan & Co.**

Advocates and Notaries
Meher Chambers, 4th & 5th Floors,
RK Marg, Ballard Estate,
Mumbai 400 038.
Tel: +91 22 6636 5000
Fax: +91 22 6636 5050

International Legal Counsel to the Underwriters**Latham & Watkins LLP**

80 Raffles Place, #14-20 UOB Plaza 2
Singapore 048624
Tel: + 65 6536 1161
Fax: + 65 6536 1171

Syndicate Members**Enam Securities Private Limited**

Registration No.: BSE: INB010468332, NSE: INF230468336
Khatau Building,
44 Bank Street
Off Shahid Bhagat Singh Marg
Fort, Mumbai 400 001.
Tel: +91 22 6638 1800
Fax: +91 22 2284 6824
Contact Person: Mr. M. Natarajan
Email: icicibankfpo@enam.com

JM Financial Services Private Limited

Registration No.: BSE: INB011054831, NSE: INB2510548350
Apeejay House
3rd Floor
3, Dinshaw Vachha Road
Mumbai 400 020
Tel: +91 22 6704 0404
Fax: +91 22 6654 1511/2
Contact Person: Deepak Vaidya
Email: deepak.vaidya@jmfinancial.in

ICICI Securities Limited

Registration No.: INB230773037
ICICI Centre,
H.T. Parikh Marg,
Churchgate
Tel.: +91 22 2288 2460 / 70
Fax: +91 22 2282 6850
Email: icicibank_fpo@isecltd.com

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Registrar to this Issue

Karvy Computershare Private Limited

Registration No.: INR 0000000221

Plot No. 17-24, Vitthal Rao Nagar,

Madhapur, Hyderabad – 500 081

Tel: + 91 40 2342 0818

Fax: +91 40 2342 0814

E-mail: icici_fpo@karvy.com

Website: www.karvy.com

Contact Person: Mr. Murali Krishna

Stabilising Agent

DSP Merrill Lynch Limited

Reg. No.: INM000002236

Mafatlal Centre, 10th Floor

Nariman Point

Mumbai 400 021

Tel: 91-22-6632 8000

Fax: 91-22-2204 8518

Email: ICICI_fpo@ml.com

Contact Person: Mr. N.S. Shekhar

Website: www.dspml.com

Banker to the Issue and Escrow Collection Banks

ICICI Bank Limited

Capital Market Division,

30, Mumbai Samachar Marg

Fort, Mumbai - 400 001.

Tel: 91-22-2262 7600

Fax: 91-22-2261 1138

Contact Person: Sidhartha Routray

Email: sidhartha.routray@icicibank.com

Statutory Auditors

BSR & Co.

Chartered Accountants

KPMG House, Kamala Mills Compound

448, Senapati Bapat Marg

Lower Parel, Mumbai 400 013

Tel: 91-22-2491 3030

Fax: 91-22-3983 6000

Statement of Inter Se Allocation of Responsibilities amongst the BRLM and the CBRLMs

Book Running Lead Managers: Goldman Sachs (India) Securities Private Limited ("GSSPL"), DSP Merrill Lynch Limited ("DSPML"), Enam Financial Consultants Private Limited ("Enam") and JM Financial Consultants Private Limited ("JMFC")

Co Book Running Lead Managers: ICICI Securities Primary Dealership Limited ("I-Sec"), CLSA India Limited ("CLSA") and JP Morgan India Private Limited ("JPM")

No.	Activities	Responsibility	Co-ordinator
1.	Capital structuring with relative components and formalities etc.	GSSPL, DSPML, Enam, JMFC	GSSPL
2.	Due diligence of Company's operations/ management/ business plans/ legal etc. Drafting and design of Red Herring Prospectus and of statutory advertisement including memorandum containing salient features of the Prospectus. (The BRLMs shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, RoC and SEBI including finalisation of Prospectus and RoC filing)	GSSPL, DSPML, Enam, JMFC	GSSPL
3.	Drafting and approval of all publicity material other than statutory advertisement as mentioned in (2) above including corporate advertisement, brochure, etc.	GSSPL, DSPML, I-Sec, Enam, JMFC	I-Sec
4.	Appointment of other intermediaries viz., Registrar(s), Printers, Advertising Agency and Bankers to the Issue	GSSPL, DSPML, Enam, I-Sec	I-Sec
5.	Domestic institutions / banks / mutual funds marketing strategy, Road show marketing presentation Finalise the list and division of investors for one-on-one meetings, institutional allocation in consultation with the Company	GSSPL, DSPML, I-Sec, Enam, JMFC, JPM and CLSA	DSPML
6.	International Institutional Marketing strategy Finalise the list and division of investors for one-on-one meetings, institutional allocation in consultation with the Company	GSSPL, DSPML, Enam, JMFC, JPM and CLSA	GSSPL
7.	Non-Institutional (ex- retail) marketing strategy - Finalise centres for holding conference for brokers etc. - Finalise Media, Marketing and Public Relations strategy - Follow up on distribution of publicity and issue materials including form, prospectus and deciding on the quantum of the Issue material - Finalise collection centres	GSSPL, DSPML, I-Sec, Enam, JMFC	JMFC
8.	Retail marketing strategy - Finalise centres for holding conference for brokers etc. - Finalise Media, Marketing and Public Relations strategy - Follow up on distribution of publicity and issue materials including form, prospectus and deciding on the quantum of the Issue material - Finalise collection centres - Coordination with Stock-Exchanges	GSSPL, DSPML, I-Sec, Enam, JMFC	ENAM
9.	The post-bidding activities including co-ordination of non-institutional allocation, intimation of allocation and dispatch of refunds to bidders etc.	GSSPL, DSPML, I-Sec, Enam, JMFC	DSPML

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No.	Activities	Responsibility	Co-ordinator
10.	Pricing and QIB allocation	GSSPL, DSPML, I-Sec, Enam, JMFC, JPM and CLSA	DSPML
11.	The post-issue activities for the Issue will involve essential follow up steps, which include the finalisation of trading and dealing of instruments and dispatch of certificates and demat of delivery of shares, with the various agencies connected with the work such as the Registrar(s) to the Issue and Bankers to the Issue and the bank handling refund business. (The BRLMs and CBRLMs shall be responsible for ensuring that these agencies fulfil their functions and enable it to discharge this responsibility through suitable agreements with the Company)	GSSPL, DSPML, I-Sec, Enam, JMFC	DSPML

Credit Rating

As this is an Issue of Equity Shares there is no credit rating for this Issue.

Trustees

As this is an Issue of Equity Shares, the appointment of Trustees is not required.

Monitoring Agency

There is no monitoring agency appointed for this Issue.

Project Appraisal

The objects of the Issue are not towards any specific Project.

Book Building Process

Book building, with reference to the Issue, refers to the process of collection of Bids on the basis of the Red Herring Prospectus within the Price Band. The Issue Price is finalized after the Bid/ Issue Closing Date. The principal parties involved in the Book Building Process are:

1. The Bank;
2. The BRLMs;
3. The CBRLMs;
4. Syndicate Members who are intermediaries registered with SEBI or registered as brokers with BSE/NSE and eligible to act as Underwriters. The Syndicate Members are appointed by the BRLMs; and
5. Registrar to the Issue.

The SEBI Guidelines have permitted an issue of securities to the public through the 100% Book Building Process, wherein 5% of this Issue is reserved for Existing Retail Shareholders and at least 50% of Net Issue shall be available for allocation on a proportionate basis to QIBs. Of the QIB Portion, 5% would be available for allocation to Mutual Funds. Further, not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Bidders, subject to valid Bids being received at or above the Issue Price. Allocation will be subject to applicable restrictions on foreign ownership for the Bank.

Pursuant to recent amendments to SEBI Guidelines, QIBs are not allowed to withdraw their Bids after the Bid/Issue Closing Date. Please refer to the section titled "Terms of the Issue" on page 375.

We will comply with the SEBI Guidelines and any other ancillary directions issued by SEBI for this Issue. In this regard, we have appointed the BRLMs and CBRLMs to manage the Issue and procure subscriptions to the Issue.

While the process of Book Building under the SEBI Guidelines is not new, it is subject to change from time to time, investors are advised to make their own judgment about investment through this process prior to making a Bid or Application in the Issue.

Illustration of Book Building and Price Discovery Process *(Investors should note that this example is solely for illustrative purposes and is not specific to the Issue)*

Bidders can bid at any price within the price band. For instance, assume a price band of Rs. 40 to Rs. 44 per share, issue size of 3,000 equity shares and receipt of five bids from bidders, details of which are shown in the table below. A graphical representation of the consolidated demand and price would be made available at the websites of BSE (www.bseindia.com) and NSE (www.nseindia.com). The illustrative book as shown below shows the demand for the shares of the issuer company at various prices and is collated from bids received from various investors.

Bid Quantity	Bid Price (Rs.)	Cumulative Quantity	Subscription
500	44	500	16.67%
1,000	43	1,500	50.00%
1,500	42	3,000	100.00%
2,000	41	5,000	166.67%
2,500	40	7,500	250.00%

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired number of shares is the price at which the book cuts off, i.e., Rs. 42 in the above example. The Issuer, in consultation with the BRLMs, will finalise the issue price at or below such cut-off price, i.e., at or below Rs. 42. All bids at or above this issue price and cut-off bids are valid bids and are considered for allocation in the respective categories.

Steps to be taken by the Bidders for bidding:

1. Check eligibility for making a Bid (see section titled "Issue Procedure - Who Can Bid" on page 382);
2. Ensure that you have a demat account and the demat account details are correctly mentioned in the Bid-cum-Application Form;
3. If your Bid is for Rs. 50,000 or more, ensure that you have mentioned your PAN and attached copies of your PAN card to the Bid-cum-Application Form (see the section titled "Issue Procedure - 'PAN' or 'GIR' Number" on page 402); and
4. Ensure that the Bid cum Application Form is duly completed as per instructions given in the Red Herring Prospectus and in the Bid cum Application Form.

Withdrawal of the Issue

The Bank, in consultation with the BRLMs, reserves the right not to proceed with the Issue at any time including after the Bid/Issue Opening Date without assigning any reason therefore. In terms of the SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing date.

Bid/Issue Programme

BID/ISSUE OPENED ON	Tuesday, June 19, 2007
BID/ISSUE CLOSED ON	Friday, June 22, 2007

ICICI BANK LIMITED

Underwriting Agreement

After the determination of the Issue Price and allocation of our Equity Shares but prior to the filing of the Prospectus with RoC, we will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through the Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLMs and CBRLMs shall be responsible for bringing in the amount devolved in the event that the Syndicate Members do not fulfill their underwriting obligations. The Underwriting Agreement is dated June 23, 2007.

The Underwriters have indicated their intention to underwrite the following number of Equity Shares:

Details of the Underwriters	Indicated Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. in million)
Goldman Sachs (India) Securities Private Limited 249 – B, Neelam Centre, 2 nd Floor, A- Wing Hind Cycle Road, Worli, Mumbai – 400018	21,034,252	19,772.20
DSP Merrill Lynch Limited Mafatlal Centre, 10th Floor Nariman Point Mumbai 400 021, India	21,034,252	19,772.20
Enam Financial Consultants Private Limited 801, Dalamal Towers, Nariman Point, Mumbai 400021	21,034,252	19,772.20
JM Financial Consultants Private Limited (formerly JM Morgan Stanley Private Limited) 141, Maker Chambers III, Nariman Point, Mumbai 400 021, India	21,034,252	19,772.20
ICICI Securities Primary Dealership Limited ICICI Centre, H. T. Parekh Marg, Churchgate, Mumbai 400020	100	0.09
JP Morgan India Private Limited 9th Floor, Mafatlal Center, Nariman Point, Mumbai – 400 021, India	7,023,939	6,602.50
CLSA India Limited 8/f Dalamal House, Nariman Point, Mumbai - 400 021	3,502,553	3,292.40

The above-mentioned underwriting would be finalized after the pricing and actual allocation.

In the opinion of our Board of Directors (based on a certificate given by the Underwriters), the resources of the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. The above-mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers with the Stock Exchange(s). Our Board of Directors or a Committee thereof, at its meeting held on June 23, 2007, has accepted and entered into the Underwriting Agreement mentioned above on behalf of the Bank.

Allocation among the Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the BRLMs, CBRLMs and the Syndicate Members shall be responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. In the event of any default in payment, the respective Underwriter, in addition to other obligations defined in the underwriting agreement, will also be required to procure/subscribe to equity shares to the extent of the defaulted amount.

CAPITAL STRUCTURE

As on the day of filing of this Prospectus.

(Rs. billion)

		Aggregate nominal value	Aggregate value at Issue Price
A. Authorised Capital¹			
1,275	million Equity Shares of Rs. 10/- each	12.75	
15	million Shares of Rs. 100/- each	1.50	
350	Preference Shares of Rs. 10 million each	3.50	
B. Issued, Subscribed and Paid-up Equity Share Capital			
893.24	million Equity Shares of Rs. 10/- each	8.93	
	Less: Calls unpaid	-	
	Add: Forfeited 111,603 Equity Shares	0.00	
	Add: Issued 9.49 million Equity Shares of Rs. 10 each on exercise of Employee Stock Options	0.10	
Total	(902.86 million Equity Shares)	9.03	
C. Issued, Subscribed and Paid up Preference Share Capital			
350	Preference Shares of Rs. 10 million each	3.50	
D. Present Issue in terms of the Red Herring Prospectus			
94.66	million Equity Shares of Rs. 10/- each fully paid-up shares ²	0.95	87.50
	Of which:		
	Existing Retail Shareholders Reservation Portion		
1.78	million Equity Shares of Rs. 10/- each fully paid-up shares to be offered to Existing Retail Shareholders	0.02	1.59
	Net Issue to the Public		
92.88	million Equity Shares of Rs. 10/- each fully paid-up	0.93	85.91
E. Green Shoe Option in terms of the Red Herring Prospectus			
14.20	million Equity Shares of Rs. 10/- each fully paid-up shares	0.14	13.12
F. ADS Offering being undertaken concurrently with this Issue²			
86.90	million Equity Shares of Rs. 10/- each fully paid-up shares underlying 43.45 million ADS	0.87 ⁴	87.50 ⁴
G. ADS Green Shoe Option as part of the ADS Offering^{2,3}			
13.00	million Equity Shares of Rs. 10/- each fully paid-up shares underlying 6.50 million ADS	0.13 ⁴	13.12 ⁴
H. Equity Capital after the Issue^{*3}			
1,011.72	million Equity Shares of Rs. 10/- each fully paid-up shares (assuming Green Shoe Option is exercised)	10.12	
997.52	million Equity Shares of Rs. 10/- each fully paid-up shares (assuming Green Shoe Option is not exercised)	9.97	
I. Equity Capital after the Issue and the ADS Offering^{*3 4}			
1,111.62	million Equity Shares of Rs. 10/- each fully paid-up shares (assuming Green Shoe Option and ADS Green Shoe Option are exercised)	11.12	
1,084.42	million Equity Shares of Rs. 10/- each fully paid-up shares (assuming Green Shoe Option and ADS Green Shoe Option are not exercised)	10.84	
J. Securities Premium Account^{**}			
	Before the Issue	120.15	
	After the Issue and the ADS Offering (assuming Green Shoe Option and the ADS Green Shoe Option are exercised)	198.68	
	After the Issue and the ADS Offering (assuming Green Shoe Option and the ADS Green Shoe Option are not exercised)	172.80	

* The total number of Equity Shares issued may be required to be adjusted *inter alia* for the Rs. 50 discount to be offered to Existing Retail Shareholders and Retail Bidders and the exact number of Equity Shares allotted in this Issue, pursuant to completion of Book Building Process.

**The Securities Premium Account may also be required to be adjusted pursuant to issue of total number of Equity Shares.

1. We have obtained approval from the RBI and from our shareholders for reducing our authorised share capital from Rs. 19,000,000,000 to Rs. 17,750,000,000 and accordingly following is the approved revised authorised capital clause in our Memorandum of Association:

The authorized capital of the Company shall be Rs. 1775,00,00,000 divided into 127,50,00,000 shares of Rs. 10 each, 150,00,000 shares of Rs. 100 each and 350 shares of Rs. 1 crore each with rights, privileges and conditions attached thereto as are provided by the Articles of Association of the Company for the time being with power to increase or reclassify or alter the capital of the Company and to divide/consolidate the shares in the capital for the time being into several classes and face values and to attach thereto respectively such preferential, cumulative, convertible, guarantee, qualified or other special rights, privileges, conditions or restrictions, as may be determined by or in accordance with the Articles of Association of the Company for the time being and to vary, modify and abrogate any such right, privilege or condition or restriction in such manner as may for the time being be permitted by the Articles of Association of the Company and the legislative provisions for the time being in force.

We have also received approval from the RBI and from our shareholders for amendment of Article 5(a) of our Articles of Association as follows:

The authorised capital of the Company is Rs. 1775,00,00,000 divided into:

- (i) 127,50,00,000 equity shares of Rs. 10 each
 - (ii) 150,00,000 shares of Rs. 100 each which shall be of such class and with such rights, privileges, conditions or restrictions as may be determined by the Company in accordance with these presents and subject to the legislative provisions for the time being in force in that behalf, and
 - (iii) 350 preference shares of Rs. 1 crore each
2. We have received the approval of our shareholders through postal ballot to issue Equity Shares (including Equity Shares to be issued to investors as part of the ADS Offering and provision for reservation on firm and/or competitive basis for such categories of persons as may be permitted) up to an aggregate face value of Equity Shares not exceeding 25% of our authorized equity share capital as amended in accordance with note 1 above.

We propose to undertake this Issue and the ADS Offering concurrently/simultaneously aggregating Rs. 175,000.0 million, each with a green shoe option, together aggregating to Rs. 201,250.0 million. This Issue and the ADS Offering are part of the consolidated capital raising exercise being undertaken by us. We in our discretion may decide to withdraw the ADS Offering at any point of time up to the date of pricing of the ADS Offering. The ADS Offering and the Issue shall be open for subscription during the same period. We in consultation with the BRLMs and CBRLMs shall decide the Issue Price prior to or simultaneously with the determination of the price of the ADS in the ADS Offering.

The size of the Issue has been disclosed in the Red Herring Prospectus. The Green Shoe Option for the Issue shall be 15% of the Issue size.

3. Assuming that all Equity Shares allotted under the Issue are fully paid up:
 - a) Category B above includes:
 - i. 31,818,180 underlying Equity Shares consequent to the previous ADS issue of our Bank in 2000;
 - ii. 23,539,800 Equity Shares issued to the equity shareholders of Bank of Madura Limited on merger in 2001;
 - iii. 264,465,582 Equity Shares issued to the equity shareholders, excluding ADS holders, of ICICI on amalgamation in 2002;
 - iv. 128,207,142 underlying Equity Shares issued to the ADS holders of ICICI on amalgamation in 2002.At March 31, 2007, 238,604,478 Equity Shares represented 119,302,239 ADSs outstanding.
 - b) Category C represents face value of 350 preference shares of Rs. 10.0 million each issued to preference shareholders of ICICI on amalgamation, redeemable at par on April 20, 2018.

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- c) With respect to preference share capital of the Company representing 350 preference shares of Rs.10.0 million each issued to preference shareholders by erstwhile ICICI Limited on merger with ICICI Bank, the notification dated April 17, 2002 from Ministry of Finance, Government of India, issued on the recommendation of RBI under Section 53 of the Banking Regulation Act had exempted our Bank from the restriction of section 12(1) of the Banking Regulation Act, 1949, which prohibits the issue of preference shares by banks for a period of five years. We have applied to RBI for making a recommendation to the Central Government for continuation of such exemption.
 - d) Our authorised capital was sub-divided into 10.00 billion Equity Shares of Rs. 10 each, 55 million preference shares of Rs.100 each and 350 preference shares of Rs. 10.0 million with the approval of our shareholders at the Annual General Meeting held on August 20, 2005. We have received the approval of our shareholders and RBI to alter the authorized capital from Rs. 19,000,000,000 to Rs. 17,750,000,000 and to divide the authorized capital into 1,275,000,000 Equity Shares of Rs.10 each, 15,000,000 shares of Rs. 100 each and 350 preference shares of Rs.10 million each.
 - e) On March 31, 2000, we issued approximately 31.8 million Equity Shares represented by American Depositary Receipts listed on the New York Stock Exchange. Pursuant to the amalgamation, we issued approximately 128.2 million Equity Shares represented by American Depositary Receipts issued to the American Depositary Receipt holders of ICICI and listed on the New York Stock Exchange.
 - f) We made a public issue of Equity Shares in India of 115,920,758 Equity Shares (including 6,992,187 Equity Shares under the green shoe option) in April 21, 2004. This resulted in an increase of 18.8% in our Equity Share capital.
 - g) In March 2005, we sponsored an offering of ADSs by our shareholders, resulting in the issuance of 20,685,700 ADSs representing 41,371,500 Equity Shares sold by our shareholders.
 - h) We made a public issue of Equity Shares in India of 110,967,096 Equity Shares (including 14,285,714 Equity Shares under the green shoe option) in December 2005. We also issued 18,618,730 American Depositary Receipts representing 37,237,460 Equity Shares. This resulted in an increase of 20% in our Equity Share capital.
 - i) As of May 31, 2007 there were 113.7 million ADSs outstanding.
 - j) Consequent to the amalgamation of Sangli Bank, the shareholders of Sangli Bank will be issued 100 Equity Shares of ICICI Bank Limited (ICICI Bank) of face value Rs. 10/- each for every 925 shares of the face value of Rs. 10/- each of Sangli Bank held by them. Accordingly on May 28, 2007, ICICI Bank allotted 3.5 million Equity Shares of Rs. 10/- each to the shareholders of Sangli Bank. The Issue of these Equity Shares is yet to be completed.
4. The actual amount realised in Rupees will depend on the prevailing exchange rate.
- The Red Herring Prospectus is not an offer of Equity Shares or ADSs for sale or an invitation to subscribe to Equity Shares or ADSs to any person in the United States or any jurisdiction where it is unlawful to make such offer or invitation. Each purchaser of our Equity Shares in the Issue is deemed to have acknowledged, represented and agreed as follows:
- (1) It is not in the United States nor a U.S. person (as defined in Regulation S under the U.S. Securities Act of 1933, as amended).
 - (2) The Equity Shares offered have not been registered under the Securities Act.
 - (3) It is purchasing those Equity Shares in an offshore transaction meeting the requirements of Rule 903 of Regulation S.
 - (4) Until the expiration of the "40-day distribution compliance period" within the meaning of Rule 903 of Regulation S, it shall not make any offer or sale of equity shares within the United States or to a U.S. person or for the account or benefit of a U.S. person (as defined in Regulation S), except in compliance with applicable securities laws.
- Until the expiry of 40 days after the closing of the Issue, an offer or sale of equity shares within the United States by a dealer (whether or not it is participating in the Issue) may violate the registration requirements of the Securities Act.

Investors will not be permitted to deposit Equity Shares into the ADR facility until 40 days after the later of (i) the date the securities are first offered to the public and (ii) the closing date for the offering. Investors would have to comply with the procedures set out under Indian law for the deposit of Equity Shares in the ADR facility.

The Equity Shares may not be offered or sold in the United States absent registration or an exemption from registration. Any public offering or sale of ADSs in the United States will be registered and made by means of a U.S. prospectus that may be obtained from us when it becomes available and that will contain detailed information about us and our management, as well as financial statements prepared in accordance with Indian GAAP, with a reconciliation of net income and stockholders' equity to US GAAP. No money, securities, or other consideration is being solicited, and, if sent in response to the information contained herein, will not be accepted. We will file a registration statement in the United States for an offering of ADSs.

This Prospectus may not be distributed or made available in the United States or to U.S. persons in any other jurisdiction outside India where such distribution would be unlawful.

Notes to Capital Structure

1. Share capital history of ICICI Bank

Date of Allotment	Number of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of Payment	Reasons of Allotment	Cumulative Capital
January 27, 1994	700	10.00	10.00	Cash	Signatories to the Memorandum of Association.	7,000
April 28, 1994	150,000,000	10.00	10.00	Cash	Promoter's contribution	1,500,007,000
June 7, 1997	15,000,000	10.00	35.00	Cash	Promoter's contribution	1,650,007,000
March 31, 2000	31,818,180	10.00	239.91	Cash	ADR Issue.	1,968,188,800
April 17, 2001	23,539,800	10.00	10.00	Other than cash	Issue of shares to shareholders of Bank of Madura upon merger with ICICI Bank in ratio of 2:1	2,203,586,800
June 11, 2002	392,672,724	10.00	10.00	Other than Cash	Issue of shares to shareholders of ICICI upon amalgamation with ICICI Bank in the ratio of 1:2	6,130,314,040
December 11, 2002	3,000	10.00	105.00	Cash	Allotment of shares issued on exercise of options, under the Employee Stock Option Scheme	6,130,344,040
April 1, 2003 - March 31, 2004	3,370,604	10.00	-	Cash	Allotment of shares issued on exercise of options, under the Employee Stock Option Scheme	6,164,050,080
March 2, 2004*	-13,103	10.00	-		Forfeiture of Equity Shares for non payment of allotment/ call money	6,163,919,050

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Date of Allotment	Number of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of Payment	Reasons of Allotment	Cumulative Capital
April 21, 2004	100,157,271	10.00	280.00	Cash	Fully paid shares under public issue – April 2004	7,165,491,760
April 21, 2004	8,771,300	10.00	280.00	Cash	Partly paid Equity Shares of face value of Rs. 10/- each, on which Rs. 150 paid up (Rs. 5/- towards share capital and Rs. 145/- towards share premium) issued under the public issue. The balance amount of Rs. 130/- (Rs. 5/- towards share capital and Rs. 125/- towards share premium) payable on call	7,253,204,760
May 24, 2004	6,992,187	10.00	280.00	Cash	Fully paid Equity Shares of face value of Rs. 10/- each issued under the Green Shoe Option of public issue in April 2004	7,323,126,630
April 1, 2004 -March 31, 2005	4,457,651	10.00	-	Cash	Allotment of shares issued on exercise of options, under the Employee Stock Option Scheme	7,367,703,140
March 28, 2005*	-54,220	10.00	-		Forfeiture of Equity Shares for non payment of allotment /call money	7,367,160,940
December 16, 2005	66,275,828	10.00	525.00	Cash	Fully paid Equity Shares of face value of Rs. 10/- each issued at Rs. 525/- per Equity Share under the public issue and allotted to QIBS and Non-Institutional Bidders	8,029,909,220
December 16, 2005	12,988,820	10.00	498.75	Cash	Fully paid Equity Shares of face value of Rs.10/- each issued at Rs.498.75/- per share (After discount	8,159,807,420

Date of Allotment	Number of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of Payment	Reasons of Allotment	Cumulative Capital
					of 5% on the issue price of Rs.525/- per share) under the public issue and allotted to Existing Retail Shareholders and Retail Bidders	
December 16, 2005	15,905,240	10.00	498.75	Cash	Partly paid Equity Shares of face value of Rs.10/- each issued at Rs.498.75/- per share (After discount of 5% on the issue price of Rs.525 per share) on which Rs.150/- per share has been paid up (Rs.9/- towards share capital and Rs.141/- towards share premium) issued under the public issue and allotted to Existing Retail Shareholders and Retail Bidders. The Balance amount of Rs.348.75/- per share (Rs.1/- towards share capital and Rs.347.75/- towards share premium) payable on allotment.	8,318,859,820
December 16, 2005	37,237,460	10.00	611.37	Cash	Issue and allotment of 18,618,730 ADSs at US\$26.75 per ADS equivalent to Rs.604.42 per share (including a Green Shoe Option of 2,428,530 ADSs), representing 37,237,460 Equity Shares of face value of Rs.10 each (each ADS represents two Equity Shares)	8,691,234,420
December 20, 2005	1,511,494	10.00	525.00	Cash	Fully paid Equity Shares of face value of Rs. 10/- each issued at Rs. 525/- per share under the public issue and allotted to QIBs	8,706,349,360

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Date of Allotment	Number of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of Payment	Reasons of Allotment	Cumulative Capital
January 21, 2006	14,285,714	10.00	525.00	Cash	Fully paid Equity Shares of face value of Rs. 10/- each issued under the Green Shoe Option of public issue of December 2005	8,849,206,500
April 1, 2005 -March 31, 2006	4,903,251	10.00	-	Cash	Allotment of shares issued on exercise of options, under the Employee Stock Option Scheme	8,898,239,010
April 1, 2006 -March 31, 2007	9,487,051	10.00	-	Cash	Allotment of shares issued on exercise of options, under the Employee Stock Option Scheme	8,993,109,520
December 29, 2006*	-44,280	10.00	-		Forfeiture of Equity Shares for non payment of allotment /call money	8,992,666,720
May 28, 2007	3,455,008	10.00		Other than cash	Allotment to Sangli Bank shareholders pursuant to amalgamation with us	9,027,216,800
April 1, 2007– June 8, 2007	135,701	10.00		Cash	Allotment of shares issued on exercise of options, under the Employee Stock Option Scheme	9,028,573,810
Total	9,028,573,810					9,028,573,810

* Date of forfeiture

** Consequent to the amalgamation of Sangli Bank, the shareholders of Sangli Bank will be issued 100 Equity Shares of ICICI Bank Limited (ICICI Bank) of face value Rs. 10/- each for every 925 shares of the face value of Rs. 10/- each of Sangli Bank held by them. Accordingly on May 28, 2007, ICICI Bank allotted 3.5 million Equity Shares of Rs. 10/- each, credited as fully paid up, to the shareholders of Sangli Bank. The Issue of these Equity Shares is yet to be completed.

2. Prior to the amalgamation, ICICI was our promoter. There are now no identifiable promoters, hence the details regarding the shareholding of the promoters and details of the transactions by them in our securities are not applicable.

3. The following tables set forth, for the details indicated, our top 10 shareholders and their holdings.

a. At June 8, 2007

	Name	Shares held	% Shareholding
1	Deutsche Bank Trust Company Americas as depositary for ADS holders#.....	225,255,320	24.95
2	Life Insurance Corporation of India.....	68,877,253	7.63
3	Allamanda Investments Pte. Ltd (subsidiary of Temasek Holdings).....	66,234,627	7.34
4	CLSA Merchant Bankers Limited A/c CLSA (Mauritius) Limited.....	44,562,802	4.94
5	Bajaj Auto Limited.....	36,683,612	4.06
6	Crown Capital Limited.....	27,940,188	3.09
7	Merrill Lynch Capital Markets Espana S. A. S. V.....	23,670,883	2.62
8	Government of Singapore	19,696,873	2.18
9	BMF-Bank Bees Investment A/c	18,687,759	2.07
10	The Growth Fund of America Inc	17,000,000	1.88

Deutsche Bank Trust Company Americas holds the Equity Shares represented by 112.63 million ADSs outstanding, as depositary on behalf of the holders of the ADSs. The ADSs are listed on the New York Stock Exchange. The depositary has the right to vote on the Equity Shares represented by the ADSs as directed by our Board of Directors. Under the 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 owned approximately 24.95% of our Equity Shares as on June 8, 2007, can only vote 10.0% of our Equity Shares. Except as stated above, no shareholder has differential voting rights. The above shareholding of Deutsche Bank Trust Company Americas does not include the Equity Shares being issued pursuant to the ADS Offering being undertaken concurrently with this Issue.

b. At June 1, 2007

	Name	Shares held	% Shareholding
1	Deutsche Bank Trust Company Americas as depositary for ADS holders#.....	225,255,320	25.05
2	Life Insurance Corporation of India.....	70,056,635	7.79
3	Allamanda Investments Pte. Ltd (subsidiary of Temasek Holdings).....	66,234,627	7.37
4	CLSA Merchant Bankers Limited A/c CLSA (Mauritius) Limited.....	44,562,802	4.96
5	Bajaj Auto Limited.....	36,683,612	4.08
6	Crown Capital Limited.....	27,940,188	3.11
7	Merrill Lynch Capital Markets Espana S. A. S. V.....	23,625,922	2.63
8	Government of Singapore	19,696,873	2.19
9	BMF-Bank Bees Investment A/c	18,097,359	2.01
10	The Growth Fund of America Inc	17,000,000	1.89

The above shareholding of Deutsche Bank Trust Company Americas does not include the Shares being issued pursuant to the ADS Offering

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c. At June 10, 2005

	Name	Shares held	% Shareholding
1	Deutsche Bank Trust Company Americas as depositary for ADS holders#.....	201,396,818	27.28
2	Life Insurance Corporation of India.....	72,784,508	9.86
3	Allamanda Investments Pte. Ltd (subsidiary of Temasek Holdings)	66,234,627	8.97
4	Government of Singapore	26,951,988	3.65
5	HWIC Asia Fund	26,465,361	3.58
6	Bajaj Auto Limited	23,047,020	3.12
7	The New India Assurance Company Limited	17,496,338	2.37
8	M and G Investment Management Ltd A/c The Prudential Assurance Co. Ltd	17,025,177	2.31
9	Copthall Mauritius Investment Ltd	14,129,201	1.91
10	Capital Research and Management Company A/c Capital World Growth and Income Fund Inc	13,811,003	1.82

The above shareholding of Deutsche Bank Trust Company Americas does not include the Equity Shares being issued pursuant to the ADS Offering

4. The following table sets forth, at June 8, 2007, certain information regarding the total ownership of our Equity Shares#.

Particulars	Pre-Issue	
	Shares held	% of shares outstanding
Government-controlled shareholders		
Life Insurance Corporation of India	68,877,253	7.63
General Insurance Corporation of India and government-owned general insurance companies	34,915,794	3.86
Unit Trust of India	3,675,800	0.41
Other government-controlled institutions, corporations and banks	1,853,447	0.21
Total Government-controlled shareholders	109,322,294	12.11
Other Indian investors		
Individual domestic investors	59,169,907	6.55
Bajaj Auto Limited	36,683,612	4.06
Indian corporates and others (excluding Bajaj Auto Limited)	14,070,250	1.56
Mutual funds and banks (other than Government-controlled banks)	41,384,714	4.59
Total other Indian investors	151,308,483	16.76
Total Indian investors	260,630,777	28.87

Particulars	Pre-Issue	
	Shares held	% of shares outstanding
Foreign investors		
Deutsche Bank Trust Company Americas, as depositary for ADS holders [#]	225,255,320	24.95
Allamanda Investments Pte. Ltd.	66,234,627	7.34
Other Foreign Institutional Investors, foreign banks, overseas corporate bodies foreign companies, foreign nationals, foreign Institutional investors DR and non-resident Indians	350,736,657	38.84
Total foreign investors	642,226,604	71.13
Total	902,857,381	100.00

[#] The above shareholding of Deutsche Bank Trust Company Americas does not include the Shares being issued pursuant to the ADS Offering

Relationship with the Government of India

We operate as an autonomous commercial enterprise, making decisions and pursuing strategies that are designed to maximise shareholder value. Prior to the amalgamation, ICICI was our promoter. We now have no identifiable promoters. The Government of India has never directly held any of our or ICICI's shares. Reflecting the dominant role of the Indian government in the Indian economy and pursuant to the nationalisation of Indian insurance companies, which were among ICICI's largest shareholders, in the 1950s and the 1960s, ICICI's principal shareholders were Government-controlled. They included the Life Insurance Corporation of India, the General Insurance Corporation of India, Government-owned general insurance companies and the Unit Trust of India. Consequent to the amalgamation of ICICI with us, these Government-controlled shareholders have received our shares in exchange for their shareholding in ICICI. 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.

5. None of the Directors have, either directly or indirectly, undertaken transactions in the shares of ICICI Bank in the last six months preceding the date on which this Prospectus was filed with SEBI except the transactions (excluding allotment of shares issued on exercise of options) stated below. Please refer Note 8 on page 41 for details of shareholding of Directors at March 31, 2007.

Date of Transaction ⁽¹⁾	Transferor	Shares	Price (in Rs.)	Mode
November 14, 2006	Dr. Nachiket Mor	60,000	836.68	Electronic
December 28, 2006	Mr. V. Vaidyanathan	9,950	894.50	Electronic
January 31, 2007	Mr. V. Vaidyanathan	7,200	974.80	Electronic
March 28, 2007	Mr. K.V. Kamath	30,000	Gift	Electronic

(1) Information received from the depositories on the dates mentioned.

6. There are no outstanding warrants, options or rights to convert debentures, loans or other instruments into our Equity Shares, as on date other than the stock options granted to employees.
7. Employee Stock Option Scheme

We have since fiscal 2000 instituted an ESOS to enable our employees, including wholtime Directors and employees deputed to other companies, to participate in our future growth and financial success. ICICI had also granted stock options to its wholtime Directors and employees. As per the ESOS as amended till date, the maximum number of options granted to any employee in a financial year is limited to 0.05% of our issued Equity Shares at the time of the grant, and the aggregate of all such options is limited to 5.0% of our issued

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Equity Shares on the date of the grant. In accordance with the Scheme of Amalgamation, Directors and employees of ICICI and its subsidiaries and affiliate companies have received stock options in us equal to half the number of their outstanding unexercised stock options in ICICI. The exercise price of these ICICI Bank options is twice the exercise price for the ICICI stock options. All other terms and conditions are similar to those applicable under ESOS.

The following table sets forth, the particulars of options granted under ESOS at year-end fiscal 2007:

a. Options granted	40,378,655
b. Exercise Price	The closing market price on the stock exchange, which records the highest trading volume on the date preceding the date of grant. ⁽¹⁾
c. Options vested	22,803,932
d. Options exercised	22,238,507
e. Total number of Equity Shares arising as a result of exercise of options	22,238,507
f. Options forfeited / lapsed	4,952,365
g. Extinguishment or modification of options	Nil
h. Money realised by exercise of options (Rs.)	3,935,490,671
i. Total number of options in force	13,187,783
j. Person-wise details of options granted to:	
(i) Directors and key managerial employees	Details as below
(ii) Any other employee who has received a grant in a year of options amounting to 5% or more of options granted during that year	None
(iii) Identified employees who are granted options, during any one year equal to or exceeding 1% of our issued Equity Shares (excluding outstanding warrants and conversions) at the time of grant	None
k. Dilution in EPS	Rs. 0.20 ⁽²⁾
l. Vesting schedule	The options granted for fiscal 2003 and earlier years 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 2006 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 remaining unvested on retirement vest on the completion of one year from the date of grant.

- (1) The price for options granted by ICICI Bank on or after June 30, 2003, but before July 22, 2004 is equal to the average of the high and low market price of the Equity Shares in the two week period preceding the date of grant of the options, on the stock exchange which recorded the highest trading volume during the two week period. The 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.
- (2) Diluted EPS for fiscal 2007 was Rs. 34.64 and basic EPS for fiscal 2007 was Rs. 34.84.
- (3) On April 28, 2007, our Board of Directors approved a grant of 4.8 million employee stock options (including grants to wholetime Directors subject to approval of RBI) at an exercise price of Rs. 935.15 per share.

8. The following table sets forth details of options granted to senior managerial personnel at March 31, 2007 and our Equity Shares held by them at March 31, 2007:

Name	Position	Stock options granted	Shares held ⁽¹⁾	Options Outstanding
Mr. K. V. Kamath	Managing Director & Chief Executive Officer	1,275,000	624,500	600,000
Ms. Kalpana Morparia ⁽²⁾	Joint Managing Director	805,000	431,190	375,000
Ms. Chanda Kochhar	Deputy Managing Director	630,000	278,925	300,000
Dr. Nachiket Mor	Deputy Managing Director	627,000	-	300,000
Mr. V. Vaidyanathan	Executive Director	334,900	46,810	180,000
Ms. Madhabi Puri-Buch	Executive Director ³	354,900	118,861	180,000
Mr. K. Ramkumar	Group Chief Human Resources Officer	255,000	22,000	157,500
Mr. Pravir Vohra	Group Chief Technology Officer	179,500	41,500	118,000
Ms. Vishakha Mulye	Group Chief Financial Officer	285,975	110,975	157,500

1) As per records of our Registrar.

2) Effective June 1, 2007, Ms. Kalpana Morparia completed her term as Joint Managing Director and retired from our board of directors.

3) Effective June 1, 2007 and subject to RBI approval.

9. We, our Directors, BRLMs and the CBRLMs have not entered into any standby, buyback or similar arrangements for this Issue.
10. We may, at our discretion, raise a bridge loan against the proceeds of the Issue.
11. We have not issued any shares or debentures or agreed to issue any shares or debentures for consideration other than cash other than that mentioned hereinabove, within the two years preceding the date of this Prospectus.
12. At any given time there shall be only one denomination for the shares of ICICI Bank and ICICI Bank shall comply with such disclosure and accounting norms as specified by SEBI from time to time.
13. A total of up to 5% of the Issue size, i.e., up to Rs. 4,375.0 million, has been reserved for allocation to the Existing Retail Shareholders on a proportionate basis, subject to valid Bids being received at or above the Issue Price and subject to the maximum Bid in this portion being Rs. 100,000. Only Existing Retail Shareholders as on June 13, 2007 would be eligible to apply in this Issue under Reservation for Existing Retail Shareholders. Existing Retail Shareholders may bid in the Net Issue to the public portion as well and such Bids shall not be treated as multiple Bids.
14. Undersubscription, if any, in the Reservation for Existing Retail Shareholders, would first be allowed to be met with spill over from the Retail Portion and thereafter from any of the other categories, at our discretion, in consultation with the BRLMs and CBRLMs. Under-subscription, if any, either in the Retail Portion or Non Institutional Portion shall be met from the spill over from the other category in the first instance and thereafter it shall be added to the QIB Portion and shall be allocated in the same manner as set out in "Issue Procedure – Basis of Allocation" on page 406. If the aggregate demand by Mutual Funds is less than Rs. 2,078.1 million (assuming QIB Portion is 50% of the Net Issue size, i.e. 44,215,426 Equity Shares), the balance Equity Shares available for allocation in the Mutual Fund Portion will be added to the balance QIB Portion and be allocated proportionately to the QIB Bidders. In the event that the aggregate demand in the QIB Portion has not been met, it would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Bank, in consultation with the BRLMs and the CBRLMs. In the event that the demand in any category is not met as per the procedure set out above, the same shall be met with the spill over from any other category or combination of categories at the discretion of our Bank in consultation with the BRLMs and CBRLMs.

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15. The partly-paid Equity Shares being offered in this Issue shall be made fully paid up or forfeited within 6 months from the date of allotment under the Issue.
16. The capital raising exercise being undertaken by us, includes this Issue and the ADS Offering. Except for the ADS Offering, the Equity Shares being issued pursuant to the merger of Sangli Bank with us, and issue of options to our employees pursuant to our employee stock option plan and issue of Equity Shares pursuant to the exercise of stock options granted to our employees, there would be no further issue of capital by way of issue of bonus shares, preferential allotment, rights issue or in any other manner upto the date of listing of the Equity Shares offered under this Issue.
17. Except for the ADS Offering, we presently do not have any intention or proposal to alter our capital structure for a period of six months commencing from the date of opening this Issue by way of split / consolidation of the denomination of Equity Shares or further issue of Equity Shares or securities convertible into Equity Shares whether on a preferential basis or otherwise. However, during such period or at a later date we may undertake an issue of shares or securities linked to Equity Shares to finance an acquisition, merger or joint venture by us or as a consideration for such acquisition, merger or joint venture or for regulatory compliance or such other scheme of arrangement if an opportunity of such nature is determined by our Board in our interest.
18. The number of shareholders of our Bank at June 8, 2007 was 467,888.
19. As per Chapter VIII - A of the SEBI Guidelines, we have availed of the Green Shoe Option for stabilising the post-listing price of the shares. We have appointed DSP Merrill Lynch as the Stabilising Agent. The Green Shoe Option consists of option to over allot up to 14,197,011 Equity Shares* of Rs. 10/- each at a price of Rs. 940 per Equity Share for Non-Institutional and QIB Bidders and Rs. 890 for Existing Retail Shareholders and Retail Bidders, aggregating Rs. 13,125.0 million representing 15% of the Issue, exercisable during the period commencing from the date of obtaining trading permission from the BSE for the Equity Shares under the Issue, and ending 30 days thereafter unless terminated earlier by the Stabilising Agent.

The terms of the Green Shoe Option are as follows:

The maximum number of shares*	14,197,011 Equity Shares of Rs. 10 each at a price of Rs. 940 per Equity Share for Non-Institutional and QIB Bidders and Rs. 890 for Existing Retail Shareholders and Retail Bidders, aggregating Rs. 13,125.0 million representing 15% of the Issue Size
The maximum increase in paid-up capital in case of full exercise of the Green Shoe Option*	Rs. 142.0 million
Stabilisation Period	The period commencing from the date of obtaining trading permission from the Stock Exchanges for the Equity Shares under the Issue, and ending 30 days thereafter unless terminated earlier by the Stabilising Agent.

* The total number of Equity Shares issued may be required to be adjusted *inter alia* for the Rs. 50 discount to be offered to Existing Retail Shareholders and Retail Bidders and the exact number of Equity Shares allotted in this Issue, pursuant to completion of Book Building Process.

OBJECTS OF THE ISSUE

We are a banking company regulated by RBI. RBI guidelines require us to maintain a minimum ratio of capital to risk adjusted assets and off-balance sheet items of 9.0%, at least half of which must be Tier-1 capital. In April 2007 RBI issued the final guidelines on the implementation of Basel II by banks. These guidelines, applicable to us from March 31, 2008, require minimum Tier-1 capital ratio of 6% while also requiring the maintenance of higher capital for various classes of assets and maintenance of capital for undrawn commitments. See "Regulations and Policies – Reserve Bank of India Regulations – Capital Adequacy Requirements" on page 111. Our total capital adequacy ratio was 11.7% at March 31, 2007 including Tier-1 capital adequacy ratio of 7.4% and Tier-2 capital of 4.3% of risk-weighted assets. Additional capital is required for future asset growth and compliance with regulatory requirements. The objects of the Issue are to augment our capital base to meet the capital requirements arising out of growth in our assets, primarily our loan and investment portfolio due to the growth of the Indian economy, compliance with regulatory requirements and for other general corporate purposes including meeting the expenses of the Issue.

Requirement and Sources of Funds

Requirement of Funds	(in Rs. million)
Augment our capital base to meet our future capital adequacy requirements arising out of growth in our businesses and for other general corporate purposes	86,400.0 to 99,525.0
Estimated Issue expenses	1,100.0 ⁽¹⁾
Total	87,500.0 to 100,625.0

(1) Subject to approval of RBI.

Sources of Funds	(in Rs. million)
Proceeds of the Issue and the Green Shoe Option	87,500.0 to 100,625.0
Total	87,500.0 to 100,625.0

The main objects clause and the objects incidental or ancillary to the main objects clause of our Memorandum of Association enable us to undertake our existing activities and the activities for which the funds are being raised by us in the Issue.

Augment our capital base to meet our future capital adequacy requirements arising out of growth in our businesses and for other general corporate purposes

We are engaged in the business of banking and our subsidiaries are engaged in banking and other financial services businesses. We are seeking to strengthen our capital base to support the future growth in our assets and comply with capital adequacy requirements applicable to us. Other general corporate purposes would include development of channel infrastructure to support our business growth and service our customers.

Estimated Issue Expenses

Activity	(in Rs. million)
Lead management, underwriting and selling commission ⁽¹⁾	550.0
Other expenses (including advertising, registrars fee, legal fee and listing fee)	550.0
Total	1,100.0

(1) Subject to approval of RBI.

BASIS FOR THE ISSUE PRICE

Qualitative Factors

1. We are India's largest private sector bank, and the second largest bank in India in terms of total assets (Source: Based on comparison of annual financials of listed public and private sector banks). At May 10, 2007 we had the largest market capitalization among all banks in India (Source: www.bseindia.com).
 2. Along with our subsidiaries, we offer the complete spectrum of financial products and services to our customers ranging from commercial banking to retail and corporate customers (both domestic and international), treasury and investment banking and other products like insurance and asset management.
 3. Our subsidiaries in life and non-life insurance have achieved leadership positions among private sector life and non-life insurance companies. (Source: IRDA).
 4. Our advances increased 34% to Rs. 1,958.66 billion at March 31, 2007 from Rs. 1,461.63 billion at March 31, 2006. Our deposits increased 39.6% to Rs. 2,305.10 billion at March 31, 2007 from Rs. 1,650.83 billion at March 31, 2006.
 5. Our Net NPA Ratio was 0.98% at March 31, 2007 compared to 0.71% at March 31, 2006.
 6. We have a wide distribution network of 710 branches, 45 extension counters and 3,271 ATMs across several Indian states. Effective April 19, 2007, pursuant to RBI's approval, Sangli Bank has amalgamated with us. Sangli Bank has over 190 branches and extension counters.
 7. We believe that the international markets present a major growth opportunity and have, therefore, expanded the range of our commercial banking products to international customers. We currently have subsidiaries in the United Kingdom, Canada and Russia, branches in Singapore, Dubai, Sri Lanka, Hong Kong, Qatar and Bahrain and representative offices in the United States, China, United Arab Emirates, Bangladesh, South Africa, Malaysia, Thailand and Indonesia. Our subsidiary in the United Kingdom has established a branch in Antwerp, Belgium.
 8. For fiscal 2007, we earned a profit after tax of Rs. 31.10 billion compared to Rs. 25.40 billion for fiscal 2006.
- For more details please refer to section titled "Business" on page 64.

Quantitative Factors

Information presented in this section is derived from our financial statements prepared in accordance with Indian GAAP.

1. Adjusted earning per share (EPS) (basic)*

Year	EPS (Rs.)		Weight
	Unconsolidated	Consolidated	
Year ended March 31, 2005	27.55	25.45	1
Year ended March 31, 2006	32.49	30.96	2
Year ended March 31, 2007 ¹	34.84	30.92	3
Weighted Average	32.84	30.02	

*Earning per share is computed based on weighted average number of shares.

1. EPS adjusted for the allotment of about 3.5 million Equity Shares to the shareholders of Sangli Bank on May 28, 2007 was Rs. 34.70 and Rs. 30.80 on an unconsolidated and consolidated basis respectively.
2. Price/Earning (P/E) ratio in relation to Issue Price of Rs. 940.
 - a. Based on year ended March 31, 2007 unconsolidated EPS is Rs. 34.84.
 - b. P/E based on year ended March 31, 2007 is 26.98
 - c. Industry P/E⁽¹⁾
 - i) Highest 131.5⁽²⁾
 - ii) Lowest 6.1⁽²⁾
 - iii) Average (composite) 26.8⁽³⁾

- (1) Source: "Capital Market" Volume XXII/08 dated June 18 to July 1, 2007, for the Category titled 'Banking – Private Sector'. The figures are in respect for trailing twelve months (TTM) EPS as reported.
- (2) PE based on market price as on June 11, 2007, and EPS results are for trailing twelve months as on March 31, 2007.
- (3) Data as per reported data for trailing twelve months ending on March 31, 2007

3. Average Return on Equity (RoE)

Year	EPS (Rs.)		Weight
	Unconsolidated	Consolidated	
Year ended March 31, 2005	17.9	16.8	1
Year ended March 31, 2006	16.4	14.9	2
Year ended March 31, 2007	13.4	11.9	3
Weighted Average	15.1	13.7	

4. Minimum Return on Increased Net Worth required to maintain Pre-Issue EPS

The minimum return on increased net worth required to maintain pre-Issue EPS is Rs. 38.37 billion

5. On a consolidated basis Net Asset Value per Equity Share at March 31, 2007 is Rs. 256.72 and at March 31, 2006 is Rs. 242.75.
6. Consolidated Net Asset Value per Equity Share

	NAV
As at March 31, 2007	256.72
After the Domestic Issue (Rs.)	328.79
After the ADS Issue (Rs.)	389.50
Domestic Issue Price (Rs.)	940.00
ADS Issue Price (US \$)	49.25

Note: Net Asset Value per Equity Share is calculated by dividing the sum of Equity Share capital, reserves and surplus less unamortised early retirement option expenses, goodwill and deferred tax assets by the total number of Equity Shares outstanding at the end of the year.

7. Comparison of Accounting Ratios

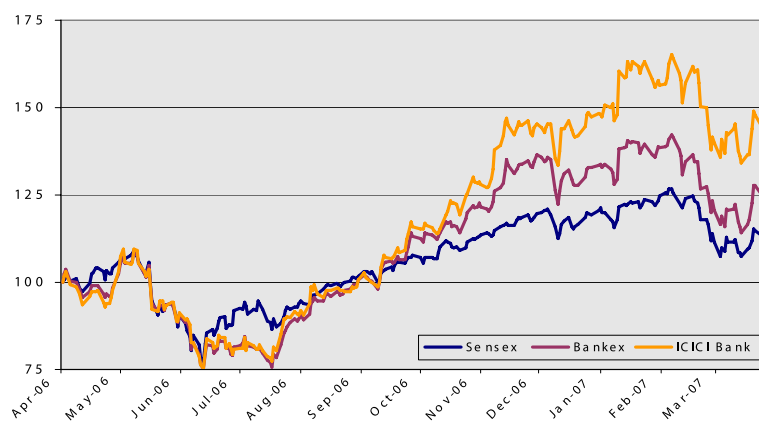
Particulars	Price Per Share ⁽¹⁾	NAV(Rs.) ⁽²⁾	EPS (Rs.) ⁽³⁾	P/E (times)
ICICI Bank	952.60	270.4	31.9	29.9
State Bank of India	1,340.0	594.7	86.2	15.5
Punjab National Bank	507.0	321.6	48.8	10.4
Canara Bank	240.0	197.8	34.6	6.9
Union Bank	119.0	93.7	16.7	7.1
Bank of Baroda	259.0	229.9	28.0	9.2
HDFC Bank	1,099.0	201.3	35.7	30.8
Bank of India	197.0	117.9	22.8	8.6
Peer Group (Simple) Average				15.0

- (1) Price per share has been taken as the closing price on June 25, 2007, which is one day prior to filing of Prospectus.
- (2) NAV has been calculated as per data for latest fiscal year i.e. year ended March 31, 2007.
- (3) Trailing twelve months (TTM) EPS for period ended March 31, 2007.

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Source: Our EPS, and Book Value / Net Asset Value have been calculated from our audited financial statements. Source for the information is "Capital Market" Volume XXII/08 dated June 18 to July 1, 2007

Movement in Equity Share price compared to Sensex and Bankex during financial year 2006-2007 (April 1, 2006 to March 31, 2007)



Source: www.bseindia.com

STATEMENT OF GENERAL TAX BENEFITS

BSR & Co., Chartered Accountants, our statutory auditors, have advised us *vide* their report dated June 11, 2007 that the following general tax benefits would be available to us and our shareholders under the provisions of the current direct tax laws.

A. INCOME-TAX

The information provided below sets out the possible tax benefits available to the Company and its shareholders under the current tax laws presently in force in India. Several of these benefits are dependent on the Company and its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company and its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives the Company faces in the future, it may or may not choose to fulfill. The benefits discussed below are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in this issue and we are absolved of any liability to the shareholder for placing reliance upon the contents of this material.

The Income-tax Act, 1961 (the Income-tax Act) is amended every year by the Finance Act of the relevant year. The tax benefits given below include amendments introduced by Finance Act, 2007 to be effective from April 1, 2007. Some or all of the tax consequences of described herein may be amended or modified by future amendments to the Income-tax Act.

I. To Us

1. Our taxable income would not include dividend income from shares or units of Mutual Funds specified under section 10(23D) of the Income-tax Act in accordance with and subject to the provisions of Section 10(34) read with Section 115-O or section 10(35) respectively, of the Income-tax Act. As per the provisions of Section 14A of the Income-tax Act, no deduction is allowed in respect of any expenditure incurred in relation to such dividend income to be computed in accordance with such method as may be prescribed subject to and in accordance with the provisions contained therein. Also, Section 94(7) of the Income-tax Act provides that losses arising from the sale/transfer of shares or units purchased within a period of three months prior to the record date and sold/transferred within three months or nine months respectively after such date, will be disallowed to the extent dividend income on such shares or units are claimed as tax exempt.
2. Under Section 35DD of the Income-tax Act, for any expenditure incurred wholly and exclusively for the purposes of amalgamation, we are eligible for deduction of an amount equal to one-fifth of such expenditure for each of the five successive years beginning with the year in which amalgamation takes place.
3. Under Section 36(1)(vii) of the Income-tax Act, any bad debts or part thereof written off as irrecoverable in our accounts, would be allowed as a deduction from our total income in accordance with and subject to the provisions contained therein. The amount subsequently recovered would be chargeable to income-tax in the year of recovery in accordance with the provisions of section 41(4) of the Income-tax Act.
4. Under Section 36(1)(viia) of the Income-tax Act, and subject to the conditions specified therein, deduction in respect of any provision for bad and doubtful debts made by us is allowed at 7.5% of the total income (computed before making any deduction under this Section and Chapter VIA of the Income-tax Act) and 10% of the aggregate average advances made by our rural branches.
5. Under the provisions of Section 36(1)(viii) of the Income-tax Act, we are allowed deduction at 20% of the profits derived from the business of providing long-term finance in India computed in the manner specified under the Section and carried to a Special Reserve account created and maintained by us. 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 Section 41(4A) of the Income-tax Act.

6. Under Section 43D of the Income-tax Act, interest on certain categories of bad and doubtful debts as specified in Rule 6EA of the Income-tax Rules, 1962, shall be chargeable to tax only in the year of receipt or credit to our Profit and Loss Account, whichever is earlier.
7. Capital gains arising on transfer of long-term capital assets, being equity shares in a company or units of equity oriented mutual fund on sale on which securities transaction tax is paid, is exempt under Section 10(38) of the Income-tax Act whereas short-term capital gains is subject to a concessional rate of tax under Section 111A of the Income-tax Act at the rate of 10% (plus applicable surcharge, education cess and secondary and higher education cess).

If the shares or units on which securities transaction tax has been paid are treated as stock-in-trade liable to tax as business profits, rebate can be claimed from the income tax payable by us in accordance with provisions of Section 88E of the Income-tax Act towards such securities transaction tax.

8. The benefit of exemption from tax under Section 10(38) of the Income-tax Act on long-term capital gains, or, concessional rate of tax under Section 111A of the Income-tax Act on short-term capital gains will not be available where no securities transaction tax is applicable. In such cases, under the provisions of Section 112 of the Income-tax Act, taxable long-term capital gains, if any, on sale or transfer of listed securities or units or zero coupon bonds issued in accordance with the specified scheme would be charged to tax at the concessional rate of 20% (plus applicable surcharge, education cess and secondary and higher education cess) after considering indexation benefits or at 10% (plus applicable surcharge, education cess and proposed secondary and education cess) without indexation benefits in accordance with and subject to the provision of Section 48 of the Income Tax Act. Under Section 48 of the Income-tax Act, the long-term capital gains arising on sale or transfer of capital assets excluding bonds and debentures (except capital indexed bonds issued by the Government) will be computed after indexing the cost of acquisition/improvement.
9. As per Section 54EC of the Income-tax Act, subject to the conditions specified therein, tax on capital gains arising from the transfer of a long-term capital asset is exempt from tax, provided that we have at any time within a period of six months after the date of the transfer, invested the whole of the capital gains in any long-term specified asset for the purposes of Section 54EC of the Income-tax Act. However, if the long-term specified asset are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the long-term specified asset are transferred or converted into money. The Finance Act, 2007 has introduced ceiling on investments in such long term specified asset of upto fifty lakh rupees in a financial year with effect from April 1, 2007. If only a portion of capital gains is so invested, then the exemption is available proportionately.
10. As per the provisions of Section 80LA of the Income tax Act where our gross total income, in any previous year, includes income from an offshore banking unit (OBU) in a Special Economic Zone shall, subject to the fulfilment of the conditions specified in Section 80LA of the Income-tax Act, be entitled to 100% deduction of such income for five consecutive assessment years, beginning with the assessment year relevant to the previous year in which RBI's permission to open the offshore unit has been obtained, that is, upto March 31, 2008 and, 50% deduction for a period of five consecutive assessment years thereafter in accordance with and subject to conditions prescribed therein.

II. To Resident Shareholders

1. Dividend income of shareholders is exempt from income tax under Section 10(34) read with Section 115-O of the Income-tax Act. As per the provisions of Section 14A of the Income-tax Act, no deduction is allowed in respect of any expenditure incurred in relation to such dividend income to be computed in accordance with such method as may be prescribed subject to and in accordance with the provisions contained therein. Also, Section 94(7) of the Income-tax Act provides that losses arising from the sale/transfer of shares purchased up to three months prior to the record date and

sold or transferred within three months after such date, will be disallowed to the extent dividend income on such shares are claimed as tax exempt by the shareholder.

2. Long-term capital gains would arise to resident shareholders where the equity shares are held for a period of more than 12 months prior to the date of transfer of the shares. In accordance with and subject to the provisions of Section 48 of the Income-tax Act, in order to compute capital gains, the following amounts would be deductible from the full value of consideration:
 - (i) Cost of acquisition/improvement of the shares as adjusted by the Cost Inflation Index notified by the Central Government and
 - (ii) Expenditure incurred wholly and exclusively in connection with the transfer of the shares.
3. Capital gains arising on transfer of long-term capital assets, being equity shares in a company on sale of which securities transaction tax is paid, is exempt under Section 10(38) of the Income-tax Act whereas short-term capital gains is subject to tax under Section 111A of the Income-tax Act at the rate of 10% (plus applicable surcharge, education cess and secondary and higher education cess).

If the equity shares on which securities transaction tax has been paid are treated as stock-in-trade liable to tax as business profits at the maximum marginal rate, rebate can be claimed in accordance with provisions of Section 88E of the Income-tax Act towards such securities transaction tax.

4. The benefit of exemption from tax under Section 10(38) of the Income-tax Act on long-term capital gains, or, concessional rate of tax under Section 111A of the Income-tax Act on short-term capital gains will not be available where no securities transaction tax is applicable. In such cases, under the provisions of Section 112 of the Income-tax Act, taxable long-term capital gains, if any, on sale or transfer of listed securities would be charged to tax at the concessional rate of 20% (plus applicable surcharge, education cess and secondary and higher education cess) after considering indexation benefits or at 10% (plus applicable surcharge, education cess and secondary and higher education cess) without indexation benefits in accordance with and subject to the provision of Section 48 of the Income-tax Act. Under Section 48 of the Income-tax Act, the long-term capital gains arising out of sale or transfer of shares will be computed after indexing the cost of acquisition/improvement.
5. As per Section 54EC of the Income-tax Act, subject to the conditions specified therein, tax on capital gains arising from the transfer of a long-term capital asset (including our equity shares) is exempt from tax, provided that the shareholder has at any time within a period of six months after the date of the transfer, invested the whole of the capital gains in any specified long-term asset for the purposes of Section 54EC of the Income-tax Act. However, if the long-term specified asset are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the long-term specified asset are transferred or converted into money. The Finance Act, 2007 has introduced ceiling on investments in such long-term specified asset of upto fifty lakh rupees in a financial year with effect from April 1, 2007. If only a portion of capital gains is so invested, then the exemption is available proportionately.
6. As per the provisions of Section 54F of the Income-tax Act, subject to the conditions specified therein, long-term capital gains arising to an individual or a Hindu undivided family on transfer of long-term capital asset (including our equity shares) shall be exempt from tax, provided that the net consideration is utilised in the purchase of a residential house within a period of one year before or two years after the date of transfer, or in the construction of a residential house within a period of three years after the date of transfer of the long-term capital asset. If only a portion of the net consideration is so invested, then the exemption is available proportionately. However, if the residential house in which investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred.

III. To non-resident shareholders including NRIs, OCBs and FIIs

1. Dividend income of shareholders is exempt from income tax under Section 10(34) of the Income-tax Act read with Section 115-O of the Income-tax Act. As per the provisions of Section 14A of the Income-tax Act, no deduction is allowed in respect of any expenditure incurred in relation to such dividend income to be computed in accordance with such method as may be prescribed subject to and in accordance with the provisions contained therein. Also, Section 94(7) of the Income-tax Act provides that losses arising from the sale/transfer of shares purchased up to three months prior to the record date and sold or transferred within three months after such date, will be disallowed to the extent dividend income on such shares are claimed as tax exempt by the shareholder.
2. Long-term capital gains would arise to non-resident shareholders where the equity shares are held for a period of more than 12 months prior to the date of transfer of the shares. In accordance with and subject to the provisions of Section 48 of the Income-tax Act, in order to compute capital gains, the following amounts would be deductible from the full value of consideration:
 - (i) Cost of acquisition/improvement of the shares as adjusted by the Cost Inflation Index notified by the Central Government and
 - (ii) Expenditure incurred wholly and exclusively in connection with the transfer of the shares

As per the provisions of the first proviso to Section 48 of the Income-tax Act, capital gains arising from the transfer of equity shares acquired by non-residents in foreign currency are to be computed by converting the cost of acquisition/improvement, expenditure incurred wholly and exclusively in connection with such transfer and the full value of the consideration received or accruing into the same foreign currency as was initially utilised in the purchase of equity shares and the capital gains so computed in such foreign currency shall then be re-converted into Indian currency. Cost indexation benefits will not be available in such case. Further, the aforesaid manner of computation of capital gains shall be applicable in respect of every reinvestment thereafter in and sale of, shares in, or debentures of an Indian company.

3. Capital gains arising on transfer of long-term capital assets, being equity shares in a company on sale of which securities transaction tax is paid, is exempt under Section 10(38) of the Income-tax Act whereas short-term capital gains is subject to tax under Section 111A of the Income-tax Act at the rate of 10% (plus applicable surcharge, education cess and secondary and higher education cess).

If the equity shares on which securities transaction tax has been paid are treated as stock-in-trade liable to tax as business profits at the maximum marginal rate, rebate can be claimed in accordance with provisions of Section 88E of the Income-tax Act towards such securities transaction tax.

4. The benefit of exemption from tax under Section 10(38) of the Income-tax Act on long-term capital gains, or, concessional rate of tax under Section 111A of the Income-tax Act on short-term capital gains will not be available where no securities transaction tax is applicable. In such cases, under the provisions of Section 112 of the Income-tax Act, taxable long-term capital gains, if any, on sale or transfer of listed securities would be charged to tax at the concessional rate of 20% (plus applicable surcharge, education cess and secondary and higher education cess) after considering indexation benefits or at the rate of 10% (plus applicable surcharge, education cess and secondary and education cess) without indexation benefits in accordance with and subject to the provisions of Section 48 of the Income-tax Act.
5. As per Section 54EC of the Income-tax Act, subject to the conditions specified therein, tax on capital gains arising from the transfer of a long-term capital asset (including our equity shares) is exempt from tax, provided that the shareholder has at any time within a period of six months after the date of the transfer, invested the whole of the capital gains in any specified long-term asset for the purposes of Section 54EC of the Income-tax Act. However, if the long-term specified asset are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the long-term specified asset are transferred or converted into money. The Finance Act, 2007 has introduced ceiling on investments in such long term specified asset of

upto fifty lakh rupees in a financial year with effect from April 1, 2007. If only a portion of capital gains is so invested, then the exemption is available proportionately.

6. As per the provisions of Section 54F of the Income-tax Act, subject to the conditions specified therein, long-term capital gains arising to an individual or a Hindu undivided family on transfer of long-term capital asset (including our equity shares) shall be exempt from tax, provided that the net consideration is utilised in the purchase of a residential house within a period of one year before or two years after the date of transfer, or in the construction of a residential house within a period of three years after the date of transfer of the long-term capital asset. If only a portion of the net consideration is so invested, then the exemption is available proportionately. However, if the residential house in which investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred.
7. Capital gains arising to Non Resident Indians (NRIs) on sale of shares on which securities transaction tax is not paid, is governed by Chapter XII-A of the Income-tax Act, subject to fulfilling the conditions stipulated therein:
 - (i) In accordance with and subject to the provisions of Section 115D read with Section 115E of the Income-tax Act, long-term capital gains arising on transfer of specified capital assets (including our Equity Shares) acquired out of convertible foreign exchange, are taxable at the rate of 10% (plus applicable surcharge, education cess and secondary and higher education cess). Cost indexation benefits will not be available in such case.
 - (ii) In accordance with and subject to the provisions of Section 115F of the Income-tax Act, long-term capital gains arising on sale of shares acquired by a NRI shareholder out of convertible foreign exchange shall be exempt from income tax entirely/proportionately, if the entire/part of the net consideration is invested for a period of three years in any savings certificates specified under Section 10(4B) or specified assets as defined in Section 115C(f) of the Income-tax Act, within six months from the date of transferring the shares. The amount so exempted will be chargeable to tax under the head 'Capital Gains' if these new assets are transferred or converted (otherwise than by way of transfer) into money within three years from the date of its acquisition in accordance with the provisions of Section 115F(2) of the Income-tax Act.
 - (iii) As per Section 115G of the Income-tax Act, a NRI would not be required to file a return of income under Section 139(1) of the Income-tax Act, where the total income consists only of investment income and/or long-term capital gains and tax deductible at source has been deducted from such income as per provisions of Chapter XVIIIB of the Income-tax Act.
 - (iv) As per the provision of Section 115I of Income-tax Act, a NRI may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing his return of income for that assessment year under Section 139 of the Income-tax Act, declaring therein that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the provisions of the Income-tax Act.
8. Capital gains arising to FIIs on sale of shares on which securities transaction tax is not paid is governed by Section 115AD of the Income-tax Act. As per Section 115AD of the Income-tax Act, long-term capital gains arising on transfer of shares purchased by FIIs, are taxable at the rate of 10% (plus applicable surcharge, education cess and secondary and higher education cess). Short-term capital gains are however, taxable at the rate of 30% (plus applicable surcharge, education cess and secondary and higher education cess). Cost indexation benefits will not be available. Further, the provisions of the first proviso of Section 48 of the Income-tax Act as stated above will not apply.
9. In accordance with and subject to the provisions of Section 115AD read with Section 196D(2) of the Income-tax Act, no deduction of tax at source is applicable in respect of capital gains arising from the transfer of the equity shares payable to FIIs.

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10. In the case of all non-resident shareholders, the above tax rates are subject to the benefits, if any, available under the double taxation avoidance agreements signed by India with the country of which the non-resident shareholder may be a tax resident, subject to fulfilment of conditions prescribed thereunder.

IV. To Mutual Funds

As per the provisions of Section 10(23D) of the Income-tax Act, tax exemption is available on income of a mutual fund registered under the Securities and Exchange Board of India Act, 1992 and Regulations made thereunder, or, mutual funds set up by the public sector banks or public financial institutions / authorised by RBI and subject to the conditions as the Central Government may specify by notification in the Official Gazette.

B. WEALTH TAX

Shares are not treated as assets within the meaning of Section 2(ea) of the Wealth Tax Act, 1957 and accordingly, our equity are not liable to Wealth-tax in the hands of the shareholders.

C. GIFT TAX

The Gift-tax Act, 1958, has ceased to apply to gifts made on or after October 1, 1998. Gift of our equity shares would therefore, be exempt from gift-tax.

INDIAN FINANCIAL SECTOR

The information in this section has been extracted from publicly available documents from various sources, including officially prepared materials from the Government of India and its various ministries and RBI, and has not been prepared or independently verified by us. This is the latest available information to our knowledge at May 10, 2007.

Introduction

RBI, the central banking and monetary authority of India, is the central regulatory and supervisory authority for the Indian banking 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" on page 58.

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

Reserve Bank of India

RBI, established in 1935, is the central banking and monetary authority in India. RBI 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, RBI undertakes certain developmental and promotional roles.

RBI 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. RBI requires these institutions to furnish information relating to their businesses to it on a regular basis. For further discussion regarding RBI's role as the regulatory and supervisory authority of India's financial system and its impact on our Bank, see "Regulations and Policies" on page 111.

Commercial Banks

Commercial banks in India had traditionally focused only on meeting the short-term financial needs of industry, trade and agriculture. At December 31, 2006, there were 185 scheduled commercial banks in the country, with a network of 70,018 branches serving approximately Rs. 23.68 trillion in deposit accounts. Scheduled commercial banks are banks that are listed in the schedule to RBI Act, 1934, and are further categorized as public sector banks, private sector banks and foreign banks. Scheduled commercial banks have a presence throughout India, with approximately 66.0% 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.

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Public Sector Banks

Public sector banks make up the largest category in the Indian banking system. They include State Bank of India and its seven associate banks, 19 nationalized banks and 102 regional rural banks. Excluding the regional rural banks, the remaining public sector banks have 48,800 branches, and accounted for 70.8% of the outstanding gross bank credit and 71.0% of the aggregate deposits of the scheduled commercial banks at December 31, 2006. The public sector banks' large network of branches enables them to fund themselves out of low cost deposits.

State Bank of India is the largest bank in India in terms of total assets. At December 31, 2006, State Bank of India and its seven associate banks had 13,978 branches. They accounted for 22.4% of aggregate deposits and 23.3% of outstanding gross bank credit of all scheduled commercial banks.

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

At December 31, 2006, there were 102 regional rural banks with 14,404 branches, accounting for 3.2% of aggregate deposits and 2.5% of gross bank credit outstanding of scheduled commercial banks. During fiscal 2006 and the first nine months of fiscal 2007, the number of regional rural banks was reduced from 173 to 102 through amalgamations of several regional rural banks.

Private Sector Banks

After the first phase of bank nationalization was completed in 1969, public sector banks made up the largest portion of Indian banking. The focus on public sector banks was maintained throughout the 1970s and 1980s. In addition, existing private sector banks that showed signs of an eventual default were merged with state-owned banks. In July 1993, as part of the banking reform process and as a measure to induce competition in the banking sector, RBI permitted entry of the private sector into the banking system. This resulted in the introduction of private sector banks, including ICICI Bank. These banks are collectively known as the "new" private sector banks. At year-end fiscal 2007, there were eight "new" private sector banks. In addition, 18 private sector banks existing prior to July 1993 were operating at year-end fiscal 2007. There were a total of 26 private sector banks at year-end fiscal 2007. The Sangli Bank Limited, an unlisted "old" private sector bank merged with us effective April 19, 2007.

At December 31, 2006, private sector banks accounted for approximately 19.9% of aggregate deposits and 20.2% of gross bank credit outstanding of the scheduled commercial banks. Their network of 6,567 branches accounted for 9.4% of the total branch network of scheduled commercial banks in the country. At December 31, 2006, ICICI Bank accounted for approximately 8.3% of aggregate deposits and 8.8% of non-food credit outstanding of the scheduled commercial banks.

Foreign Banks

At December 31, 2006, there were 29 foreign banks with 247 branches operating in India. Foreign banks accounted for 5.9% of aggregate deposits and 6.5% of outstanding gross bank credit of scheduled commercial banks at December 31, 2006. As part of the liberalization process, RBI has permitted foreign banks to operate more freely, subject to requirements largely similar to those imposed on domestic banks. The primary activity of most foreign banks in India has been in the corporate segment. However, some of the larger foreign banks have made consumer financing a larger part of their portfolios. These banks offer products such as automobile finance, home loans, credit cards and household consumer finance. Foreign banks operate in India through branches of the parent bank. Certain foreign banks also have wholly-owned non-bank finance company subsidiaries or joint ventures for both corporate and retail lending. In a circular dated July 6, 2004, RBI stipulated that banks should not acquire any fresh stake in a bank's equity shares, if by such acquisition, the investing bank's holding exceeded 5.0% of the investee bank's equity capital. This also applies to holdings of foreign banks with a presence in India, in Indian banks.

RBI 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 RBI for restructuring.
- For new and existing foreign banks, it has been proposed to go beyond the existing World Trade Organization commitment of allowing increases of 12 branches per year. A more liberal policy will be followed for under-banked areas.
- During the second phase (from April 2009 onwards), after a review of the first phase, foreign banks would be allowed to acquire up to 74.0% in private sector banks in India.

Cooperative Banks

Cooperative banks cater to the financing needs of agriculture, small industry and self-employed businessmen in urban and semi-urban areas of India. The state land development banks and the primary land development banks provide long-term credit for agriculture. In the light of liquidity and insolvency problems experienced by some cooperative banks in fiscal 2001, RBI undertook several interim measures, pending formal legislative changes, including measures related to lending against shares, borrowings in the call market and term deposits placed with other urban cooperative banks. Presently RBI is responsible for supervision and regulation of urban cooperative banks, and the National Bank for Agriculture and Rural Development for state cooperative banks and district central cooperative banks. The Banking Regulation (Amendment) and Miscellaneous Provisions Act, 2004 provides for the regulation of all cooperative banks by RBI. See also “— Recent Structural Reforms — Proposed Amendments to the Banking Regulation Act” on page 59. A task force appointed by the Government of India to examine the reforms required in the cooperative banking system submitted its report in December 2004. It recommended several structural, regulatory and operational reforms for cooperative banks, including the provision of financial assistance by the government for revitalizing this sector. In the Union Budget for fiscal 2006, the Finance Minister accepted the recommendations of the Task Force in principle and proposed to call state Governments for consultation and begin to implement the recommendations in the states willing to do so. During fiscal 2006 RBI outlined a Medium-Term Framework for Urban Cooperative 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 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, Industrial Investment Bank of India as well as ICICI prior to the amalgamation.

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

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

Pursuant to the recommendations of the Narasimham Committee II and the Khan Working Group, a working group created in 1999 to harmonize the role and operations of long-term lending institutions and banks, RBI, 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, RBI issued guidelines on several operational and regulatory issues which were required to

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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” on page 60. 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.

Non-Bank Finance Companies

There are over 13,000 non-bank finance companies in India, mostly in the private sector. All non-bank finance companies are required to register with RBI. 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 RBI. ICICI Securities Limited, our subsidiary, is a non-bank finance company, which does not accept public deposits. Our proposed new subsidiary that would, subject to regulatory approvals, hold our investments in our insurance and asset management subsidiaries, would, subject to regulatory approvals, be a non-bank finance company. The primary activities of the non-bank finance companies are consumer credit, including automobile finance, home finance and consumer durable products finance, wholesale finance products such as bill discounting for small and medium-sized companies, and fee-based services such as investment banking and underwriting. In 2003, Kotak Mahindra Finance Limited, a large non-bank finance company was granted a banking license by RBI and converted itself into Kotak Mahindra Bank.

Over the past few years, certain non-bank finance companies have defaulted to investors and depositors, and consequently actions (including bankruptcy proceedings) have been initiated against them, many of which are currently pending. See also “— Recent Structural Reforms—Reforms of the Non-Bank Finance Companies” on page 62.

Housing Finance Companies

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

Other Financial Institutions

Specialized Financial Institutions

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

State Level Financial Institutions

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

Insurance Companies

Currently, there are 32 insurance companies in India, of which 16 are life insurance companies, 15 are general insurance companies and one is a re-insurance company. Of the 16 life insurance companies, 15 are in the private sector and one is in the public sector. Among the general insurance companies, nine are in the private sector and six (including the Export Credit Guarantee Corporation of India Limited and the Agriculture Insurance Company of India Limited) are in the public sector. The re-insurance company, General Insurance Corporation of India, is in the public sector. Life Insurance Corporation of India, General Insurance Corporation of India and public sector general insurance companies also provide long-term financial assistance to the industrial sector.

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

We have joint ventures in each of the life insurance and the general insurance sectors. Our life insurance joint venture, ICICI Prudential Life Insurance Company Limited, and our general insurance joint venture, ICICI Lombard General Insurance Company Limited, are both major players in their respective segments. Gross premiums underwritten by all general insurance companies increased by 22.4% in fiscal 2007 to Rs. 250.0 billion, compared to an increase of 16.5% in fiscal 2006. The share of private sector general insurance companies in gross premiums underwritten increased from 26.6% in fiscal 2006 to 34.9% during fiscal 2007 (Source: IRDA). First year premium underwritten in the life insurance sector recorded a growth of 100.6% to Rs. 754.1 billion in fiscal 2007 compared to a 40.6% growth in fiscal 2006 with the private sector's retail market share (on weighted received premium basis) increasing from 34.2% in fiscal 2006 to 35.5% in fiscal 2007 (Source: IRDA).

Mutual Funds

At the end of fiscal 2007, there were 30 mutual funds in India with total assets under management of Rs. 3,263.9 billion. Total assets under management of all mutual funds increased by 40.8% from Rs. 2,318.6 billion at year-end fiscal 2006 to Rs. 3,263.9 billion at year-end fiscal 2007. From 1963 to 1987, Unit Trust of India was the only mutual fund operating in the country. It was set up in 1963 at the initiative of the government and RBI. From 1987 onwards, several other public sector mutual funds entered this sector. These mutual funds were established by public sector banks, the Life Insurance Corporation of India and General Insurance Corporation of India. The mutual funds industry was opened up to the private sector in 1993. The industry is regulated by the SEBI (Mutual Fund) Regulation, 1996. At the end of fiscal 2007, there were 25 private sector mutual funds with an 80.3% market share in terms of total assets under management. Our Bank's asset management joint venture, ICICI Prudential Asset Management Company Limited, was among the top two mutual funds in India based on assets under management at March 31, 2007 with an overall market share of 12.1% (Source: AMFI). Total assets under management of ICICI Prudential Asset Management Company increased by 61.1% from Rs. 235.0 billion (US\$ 5.5 billion) at year-end fiscal 2006 to Rs. 378.7 billion (US\$ 8.8 billion) at year-end fiscal 2007.

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

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structured in accordance with the amendment to the special law governing Unit Trust of India and as per the regulations of the Securities and Exchange Board of India, respectively, one comprising assured return schemes and the other comprising net asset value based schemes.

Impact of Liberalization on the Indian Financial Sector

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

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

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

Banking Sector Reform

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

Committee on the Financial System (Narasimham Committee I)

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

- with fiscal stabilization and the Government increasingly resorting to market borrowing to raise resources, the statutory liquidity ratio or the proportion of the banks' net demand and time liabilities that were required to be invested in government securities was reduced from 38.5% in the pre-reform period to 25.0% in October 1997;
- similarly, the cash reserve ratio or the proportion of the bank's net demand and time liabilities that were required to be deposited with RBI was reduced from 15.0% in the pre-reform period to low of 4.5%. Cash Reserve Ratio has since been increased to 6.5%.
- special tribunals were created to resolve bad debt problems;
- most of the restrictions on interest rates for deposits were removed. Commercial banks were allowed to set their own level of interest rates for all deposits except savings bank deposits; and
- substantial capital infusion to several state-owned banks was approved in order to bring their capital adequacy closer to internationally accepted standards. By the end of fiscal 2002, aggregate recapitalization amounted to Rs. 217.5 billion. The stronger public sector banks were given permission to issue equity to further increase capital.

Committee on Banking Sector Reform (Narasimham Committee II)

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

Recent Structural Reforms***Amendments to RBI Act***

In May 2006, the Indian Parliament approved amendments to RBI Act removing the minimum cash reserve ratio requirement of 3.0%, giving RBI discretion to reduce the cash reserve ratio to less than 3.0%. Further, the amendments also created a legal and regulatory framework for derivative instruments.

Recent Amendments to Laws Governing Public Sector Banks

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

Proposed Amendments to the Banking Regulation Act

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

- permit all banking companies to issue preference shares that will not carry any voting rights;
- make prior approval of RBI mandatory for the acquisition of more than 5.0% of a banking company's paid up capital or voting rights by any individual or firm or group;
- remove the minimum statutory liquidity ratio requirement of 25.0%, giving RBI discretion to reduce the statutory liquidity ratio to less than 25.0%. See also "Regulations and Policies—Legal Reserve Requirements—Statutory Liquidity Ratio" on page 126; and
- remove the limit of 10.0% on the maximum voting power exercisable by a shareholder in a banking company.

Legislative Framework for Recovery of Debts due to Banks

In fiscal 2003, the Indian Parliament passed the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002. This Act provides that a secured creditor may, in respect of loans classified as non-performing in accordance with RBI 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 RBI to acquire assets from banks and financial institutions. RBI has issued guidelines for asset reconstruction companies in respect of their establishment, registration and licensing by RBI, and operations. Asset Reconstruction Company (India) Limited, set up by us, Industrial Development Bank of India, State Bank of India and certain other banks and institutions, has received registration from RBI and commenced operations in August 2003. At May 31, 2007, we owned approximately 24.6% of the equity capital of Asset Reconstruction Company (India) Limited. 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

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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 "Regulations and Policies—Reserve Bank of India Regulations—Regulations relating to Sale of Assets to Asset Reconstruction Companies." on page 115.

Earlier, following the recommendations of the Narasimham Committee, the Recovery of Debts due to Banks and Financial Institutions Act, 1993 was enacted. This legislation provides for the establishment of a tribunal for speedy resolution of litigation and recovery of debts owed to banks or financial institutions. The Act creates tribunals before which the banks or the financial institutions can file a suit for recovery of the amounts due to them. However, if a scheme of reconstruction is pending before the Board for Industrial and Financial Reconstruction, under the Sick Industrial Companies (Special Provision) Act, 1985, no proceeding for recovery can be initiated or continued before the tribunals. This protection from creditor action ceases if the secured creditor takes action under Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act. While presenting its budget for fiscal 2002, the Government of India announced measures for the setting up of more debt recovery tribunals and the eventual repeal of the Sick Industrial Companies (Special Provision) Act, 1985. To date, however, this Act has not been repealed.

Corporate Debt Restructuring Forum

To put in place an institutional mechanism for the restructuring of corporate debt, RBI has devised a corporate debt restructuring system. The objective of this framework is to ensure a timely and transparent mechanism for the restructuring of corporate debts of viable entities facing problems, outside the purview of the Board of Industrial and Financial Rehabilitation, debt recovery tribunals and other legal proceedings. In particular, this framework aims to preserve viable corporates that are affected by certain internal and external factors and minimize the losses to the creditors and other stakeholders through an orderly and coordinated restructuring program. The corporate debt restructuring system is a non-statutory mechanism and a voluntary system based on debtor-creditor and inter-creditor agreements.

Universal Banking Guidelines

Universal banking in the Indian context means the transformation of long-term lending institutions into banks. Pursuant to the recommendations of the Narasimham Committee II and the Khan Working Group, RBI, 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, RBI 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 (OASIS) project and nominated an expert committee to suggest changes to the existing policy framework. The committee submitted its report in

January 2000, recommending a system for private sector management of pension funds to provide market-linked returns. It also recommended the establishment of a separate pensions regulatory authority to regulate the pensions system. Subsequently, in the budget for fiscal 2001, the Government announced that a high level committee would be formulated to design a contribution-based pension scheme for new Government recruits. The Government also requested the Insurance Regulatory and Development Authority to draw up a roadmap for implementing the OASIS Report. The Insurance Regulatory and Development Authority submitted its report in October 2001. The report suggested that pension fund managers should constitute a separate legal entity to conduct their pension business. In August 2003, the Government announced that it would be mandatory for its new employees (excluding defense personnel) to join a new defined contribution pension scheme where both the government and the employee would make monthly contributions of 10% of the employee's salary. The Government also announced that a Pension Fund Development and Regulatory Authority would be set up to regulate the pension industry. The Government constituted the interim Pension Fund Development and Regulatory Authority on October 11, 2003. In December 2003, the Government announced that the new pension scheme would be applicable to all new recruits to Indian Government service (excluding defense personnel) from January 1, 2004. Further, on December 30, 2004, the Government promulgated an ordinance establishing the statutory regulatory body, Pension Fund Regulatory and Development Authority (PFRDA) to undertake promotional, developmental and regulatory functions with respect to the pension sector. In March 2005, the Government tabled the Pension Fund and Development Authority Bill in Parliament. The Union Budget for fiscal 2006 recognized the opportunities for foreign direct investment in the pension sector and it has also announced that the Government would issue guidelines for such investment.

Credit Policy Measures

RBI issues an annual policy statement setting out its monetary policy stance and announcing various regulatory measures. It issues a review of the annual policy statement on a quarterly basis.

Annual Policy Statement for Fiscal 2007

In its annual policy statement for fiscal 2007 announced in April 2006, RBI:

- Raised the requirement of general provisioning on standard advances to specific sectors like residential housing loans beyond Rs. 2.0 million and commercial real estate loans from 0.40% to 1.0%.
- Increased the risk weight on commercial real estate exposure from 125.0% to 150.0%.
- Proposed to include banks' total exposure to venture capital funds as a part of capital market exposure with a risk weight of 150.0%.
- Raised the ceiling on non-resident external deposit rates to LIBOR/SWAP rates of US Dollar of corresponding maturities plus 100 basis points from the then existing level of 75 basis points above LIBOR/SWAP rates.

First Quarter Review of Annual Policy Statement for Fiscal 2007

In its first quarter review of the annual policy statement announced on July 25, 2006, RBI raised the reverse repo rate (i.e., the annualized interest earned by the lender in a repurchase transaction between a bank and RBI) by 25 basis points to 6.0%. The bank rate remained unchanged at 6.0%.

Mid-Term Review of Annual Policy Statement for Fiscal 2007

In its mid-term review of the annual policy statement announced on October 31, 2006, RBI raised the repo rate by 25 basis points to 7.25%. The bank rate remained unchanged at 6.0%. The RBI also extended the time frame for full compliance with Basel II norms to March 31, 2008 for foreign banks operating in India and Indian banks present overseas. All other scheduled commercial banks are required to be in full compliance with Basel II norms by no later than March 31, 2009.

In December 2006, RBI increased the cash reserve ratio by 50 basis points from 5.0% to 5.5%.

Third Quarter Review of Annual Policy Statement for Fiscal 2007

In its third quarter review of the annual policy statement announced on January 31, 2007, RBI raised the repo rate by 25 basis points to 7.5%. Further, RBI increased the general provisioning requirement for real estate sector loans (excluding residential housing loans), credit card receivables, loans and advances qualifying as capital market exposure and personal loans to 2.0%. RBI also increased the general provisioning requirement for banks' exposures

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to non-deposit taking systemically important non-banking financial companies from 0.4% to 2.0% and the risk weight on banks' exposure to these entities from 100% to 125%. RBI also reduced the interest rate ceiling on non-resident rupee deposits by 50 basis points to LIBOR/SWAP rates plus 50 basis points.

In February 2007, RBI increased the cash reserve ratio by a further 50 basis points to 6.0%. The increase was implemented in two phases of 25 basis points each starting the fortnight beginning February 17, 2007 and beginning March 3, 2007. On February 23, 2007 RBI notified that it would pay interest on cash reserves above 3.0% of net demand and time liabilities (i) at 3.5% for the period June 24, 2006 to December 8, 2006, (ii) at 2.0% for the period December 9, 2006 to February 16, 2007 and (iii) at 1.0% from February 17, 2007 until further notice.

In March 2007 RBI increased the repo rate by 25 basis points to 7.75% to address inflation expectations. At the same time, RBI increased the cash reserve ratio by a further 50 basis points to 6.5%. The increase was implemented in two phases of 25 basis points each starting the fortnight beginning April 14, 2007 and beginning April 28, 2007. On April 13, 2007, RBI notified that it would be discontinuing interest payments on cash reserves above 3.0% of net demand and time liabilities till further notice. In addition, RBI announced the removal of the statutory minimum CRR maintenance requirement of 3.0%.

Annual Policy Statement for Fiscal 2008

In its annual policy statement for fiscal 2008 announced in April 2007, RBI:

- Raised the aggregate ceiling on overseas investment by mutual funds to US\$ 4.00 billion from US\$ 3.00 billion.
- Reduced interest rate ceiling on non-resident rupee deposits by 50 basis points to LIBOR/SWAP rates and reduced interest rate ceiling on non-resident dollar deposits by 50 basis points to LIBOR minus 75 basis points.
- Reduced the risk weight on residential housing loans to individuals up to Rs. 2.0 million to 50.0% as a temporary measure.
- Permitted banks and primary dealers to begin transactions in single-entity credit default swaps.
- Enhanced the overseas investment limit for domestic companies to 300.0% of their net worth and listed companies' limit for portfolio investment abroad to 35.0% of their net worth.

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, RBI announced in July 1996 certain liberalization measures under which the non-bank finance companies registered with it and complying with the prudential norms and credit rating requirements were granted freedom from the ceiling on interest rates on deposits and amount of deposits. Other measures introduced include requiring non-bank finance companies to maintain a certain percentage of liquid assets and to create a reserve fund. The percentage of liquid assets to be maintained by non-bank finance companies has been revised uniformly upwards and, since April 1999, 15.0% of public deposits must be maintained. From January 1, 2000 the requirement should not be less than 10.0% in approved securities and the remaining in unencumbered term deposits in any scheduled commercial bank, the aggregate of which shall not be less than 15.0% of the "public deposit" outstanding at the close of business on the last working day of the second preceding quarter. The maximum rate of interest that non-bank finance companies could pay on their public deposits was reduced from 12.5% per annum to 11.0% per annum effective March 4, 2003.

Efforts have also been made to integrate non-bank finance companies into the mainstream financial sector. The first phase of this integration covered measures relating to registrations and standards. The focus of supervision has now shifted to non-bank finance companies accepting public deposits. This is because companies accepting public deposits are required to comply with all the directions relating to public deposits, prudential norms and liquid assets. A task force on non-bank finance companies set up by the Government of India submitted its report in October 1998, and recommended several steps to rationalize the regulation of non-bank finance companies. Accepting these recommendations, RBI issued new guidelines for non-bank finance companies, which were as follows:

- a minimum net owned fund of Rs. 2.5 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, RBI 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, RBI introduced a number of measures to enhance the regulatory and supervisory standards of non-bank finance companies, especially in order to bring them at par with commercial banks, in select operations, over a period of time. Other regulatory measures adopted and subsequently revised in November 2004 included aligning interest rates in this sector with the rates prevalent in the rest of the economy, tightening prudential norms and harmonizing supervisory directions with the requirements of the Companies Act, procedural changes in nomination facilities, issuance of a Know Your Customer policy and allowing non-bank finance companies to take up insurance agency business.

In 2005, RBI introduced stricter regulatory measures for non-bank finance companies, including stringent reporting requirements and revised Know Your Customer guidelines.

On December 12, 2006, RBI issued guidelines on the financial regulation of systematically important non-banking financial companies and banks' relationships with them with a view to remove the possibility of regulatory arbitrage leading to an uneven playing field and potential systemic risk. Within non-deposit taking non-banking financial companies, the guidelines classify those with an asset size above Rs. 1.00 billion as per the last audited balance sheet as systemically important. These non-banking financial companies are required to maintain a minimum capital to risk weighted assets ratio (CRAR) of 10.0%, in addition to conforming with single and group exposure norms. The guidelines restrict banks' holdings in a deposit taking non-banking financial company, excluding housing finance companies, to 10.0% of the paid up equity capital of the non-banking financial company. The total exposure to a single non-banking financial company has been limited to 10.0% of the bank's capital funds (15.0% in the case of an asset finance company). The limit may be increased to 15.0% and 20.0%, respectively, provided that the excess exposure is on account of funds lent by the non-banking financial company to the infrastructure sector.

As per existing instructions of RBI, non-banking finance companies in India having assets of Rs. 500.0 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 finance companies with deposit base of Rs. 200.0 million and above might also consider constituting an audit committee on similar lines as aforesaid. Further, RBI has also instructed non-banking finance companies with public deposits of Rs. 200.0 million and above or having an asset size of Rs. 1.00 billion or above to form a nomination committee to ensure 'fit and proper' status of proposed/existing directors for such companies. RBI also instructed such non-banking finance companies to form a risk management committee. Additionally, RBI also prohibited such non-banking finance 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.

BUSINESS

Overview

We are a private sector commercial bank and, together with our subsidiaries, offer products and services in the areas of commercial banking to retail and corporate customers (both domestic and international), treasury and investment banking and other products like insurance and asset management. We were incorporated in India in 1994. We were the surviving entity in an all-stock amalgamation of ICICI, a long-term financial institution and two of its subsidiaries, ICICI Personal Financial Services and ICICI Capital Services, with us, which was effective March 30, 2002 for accounting purposes under Indian GAAP. At year-end fiscal 2007, we were the second-largest bank in India and the largest bank in the private sector in terms of total assets, with total assets of Rs. 3,446.58 billion (Source: Based on comparison of annual financials of listed public and private sector banks). At May 10, 2007 we had the largest market capitalisation among all banks in India (Source: www.bseindia.com).

Our commercial banking operations for retail customers consist of retail lending and deposits, private banking, distribution of third party investment products and other fee-based products and services, as well as issuance of unsecured redeemable bonds. We provide a range of commercial banking and project finance products and services, including loan products, fee and commission-based products and services, deposits and foreign exchange and derivatives products to India's leading corporations, growth-oriented middle market companies and small and medium enterprises. We also offer agricultural and rural banking products. Our treasury operations include maintenance and management of regulatory reserves, proprietary trading in equity and fixed income, a range of products and services for corporate customers, such as forward contracts and interest rate and currency swaps, and foreign exchange products and services.

We believe that the international markets present a growth opportunity and have, therefore, expanded the range of our commercial banking products to international customers. We currently have subsidiaries in the United Kingdom, Canada and Russia, branches in Singapore, Dubai, Sri Lanka, Hong Kong Qatar and Bahrain and representative offices in the United States, China, United Arab Emirates, Bangladesh, South Africa, Malaysia, Thailand and Indonesia. Our subsidiary in the United Kingdom has established a branch in Antwerp, Belgium and has received regulatory approvals to establish a branch in Frankfurt, Germany.

Our subsidiaries, ICICI Securities and ICICI Securities Primary Dealership are engaged in equity underwriting and brokerage and primary dealership in Government securities. ICICI Securities owns ICICI Direct.com, a leading online brokerage platform. Our venture capital and private equity fund management subsidiary ICICI Venture Funds Management Company manages funds that provide venture capital funding to start-up companies and undertake private equity investments. 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 respectively. ICICI Prudential Life Insurance had a retail market share of about 28% in new business written (on weighted received premium basis) by private sector life insurance companies during fiscal 2007. ICICI Lombard General Insurance had a market share of about 34% in gross written premium among the private sector general insurance companies during fiscal 2007. ICICI Prudential Asset Management Company was among the top two mutual funds in India in terms of total funds under management in the Indian mutual fund industry at year-end fiscal 2007 with a market share of over 11%[Source: AMFI]. We cross-sell the products of our insurance and asset management subsidiaries to our corporate and retail customers.

We deliver our products and services through a variety of channels, ranging from bank branches and ATMs to call centers and the Internet. At year-end fiscal 2007, we had a network of 710 branches, 45 extension counters and 3,271 ATMs across several Indian states. The Sangli Bank Limited, an unlisted private sector bank with over 190 branches and extension counters merged with us effective April 19, 2007.

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. ICICI's holding in ICICI Bank reduced due to the additional capital raising by ICICI Bank and sale of shares by ICICI, pursuant to the requirement stipulated by RBI that ICICI dilute its ownership of ICICI Bank. Effective March 10, 2001, ICICI Bank acquired Bank of Madura, an old private sector bank, in an all-stock merger.

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

At the time of the merger, both ICICI Bank and ICICI were publicly listed in India and on the New York Stock Exchange. The amalgamation was approved by each of the boards of directors of ICICI, ICICI Personal Financial Services, ICICI Capital Services and ICICI Bank at their respective board meetings held on October 25, 2001. The amalgamation was approved by ICICI Bank's and ICICI's shareholders at their extraordinary general meetings held on January 25, 2002 and January 30, 2002, respectively. The amalgamation was sanctioned by the High Court of Gujarat at Ahmedabad on March 7, 2002 and by the High Court of Judicature at Bombay on April 11, 2002. The amalgamation was approved by RBI 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.

Strategy

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

The key elements of our business strategy are to:

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

Focus on Profitable, Quality Growth Opportunities by:

Maintaining and Enhancing our Strong Retail Franchise

With upward migration of household income levels, affordability and availability of retail finance and acceptance of use of credit to finance purchases, retail credit has emerged as a rapidly growing opportunity for banks that have the necessary skills and infrastructure to succeed in this business. While recent increases in interest rates and asset prices as well a larger base have resulted in moderation in growth rates, we believe that the Indian retail financial services market has the potential for sustained growth. The key dimensions of our retail strategy are a wide range of

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products, customer convenience, wide distribution, strong processes, prudent risk management and customer focus. We are also focusing on growth in our retail deposit base to diversify our funding towards more stable and lower cost funding sources. We earn fee income from our commercial banking services to retail customers, including retail loan processing fees, credit card and debit card fees, transaction banking fees and fees from distribution of third party products. Cross selling of the entire range of credit and investment products and banking services to our customers is a key aspect of our retail strategy. We securitize a portion of the retail assets originated by us.

We have integrated our strategy with regard to small and medium enterprises with our strategy for retail products and services. Our focus is on meeting the working capital requirements, deposit accounts and other banking products and services of small and medium enterprises, including those of selected suppliers of our existing corporate clients. We are also involved in financing based on a cluster or community based approach, that is, financing of small enterprises that have a homogeneous profile such as apparel manufacturers and manufacturers of pharmaceuticals.

Maintaining and Enhancing our Strong Corporate Franchise

Our commercial banking services to corporate customers leverages our strong corporate relationships and increased capital base to increase our market share in project finance, cross border finance, non-fund based working capital products and other fee-based services. Our corporate lending activities will continue to focus on structured project and cross-border acquisition finance, corporate finance and working capital lending to highly rated corporations. The focus on infrastructure development and the repositioning and emerging global competitiveness of the Indian industry offer growth opportunities in the area of project financing. We believe that a number of Indian companies in both the public and private sector have significant investment plans for setting up infrastructure facilities as well as industrial production capacities. The international expansion of Indian companies also provides a major opportunity. We are seeking to build a global corporate and investment banking franchise focused on Indian companies, covering advisory, origination, structuring, execution and syndication. We will continue to focus on leveraging our expertise in structuring and project financing, syndicating the financing required and actively managing our project finance portfolio to reduce portfolio concentration and manage portfolio risk. We view ourselves not only as a provider of project finance but also as an arranger and facilitator, creating appropriate financing structures that may serve as financing and investment vehicles for a wider range of market participants. We also propose to establish an infrastructure financing fund. Leveraging our international presence to serve our corporate clients is a key element of our strategy. We aim to increase the cross selling of our products and services and maximize the value of our corporate relationships through the effective use of technology, speedy response times, quality service and the provision of products and services designed to meet specific customer needs.

Building an International Presence

We believe that the international markets present a growth opportunity and have therefore expanded the range of our commercial banking products in international markets. Our initial strategy for growth in international markets is based on leveraging home country links for international expansion by capturing market share in select international markets. The focus areas are supporting Indian companies in raising corporate and project finance overseas for their investments in India and abroad (including financing of overseas acquisitions by Indian companies), trade finance and personal financial services (including remittance and deposit products) for non-resident Indians and international alliances to support domestic businesses. We are also building an international private banking franchise and leveraging our technological capabilities and relative cost efficiencies by offering direct banking in select international markets. We have entered into alliances with existing banks in various markets, to leverage our complementary capabilities, primarily our existing physical distribution network in the overseas markets and our India-linked products and services for the Indian community. We aim to expand our offering to include local banking to non-resident Indians as well as to the broader local market.

Building a Rural Banking Franchise

We believe that serving the rural markets is a key element in driving future growth for the Indian economy and for us. We have formulated a comprehensive strategy for rural, micro-banking and agri-business, encompassing products and channels, with the twin objectives of meeting the needs of the rural economy while building a sustainable business model. We offer a comprehensive suite of products for all customer segments operating in the rural areas – corporates, small and medium enterprises and finally the individual farmers and traders. Our primary credit products for the rural retail segment are micro-finance loans, farmer financing, working capital financing for agri-enterprises, farm equipment financing, commodity based financing and jewel loans. Other financial services like savings, investment and insurance customised for the rural segment complete our offering. See also "Risk Factors – Risks Relating to Our Business - Our

rapid retail expansion in India and our rural initiative expose us to increased risk that may adversely affect our business on page xiii.

Our channel strategy envisages multiple channels targeting specific segments of the rural population. We have developed a “no white spaces” strategy to comprehensively cover an identified rural geography with only a limited number of branches. This involves using a combination of our branch and non-branch channels, subject to applicable regulations, aimed at fulfilling the financial needs of all rural customer segments.

Strengthening Our Insurance and Asset Management Businesses

Following the deregulation of the insurance sector in India, private sector companies were allowed to enter the insurance business. According to a study by Swiss Re, India’s total insurance premium as a percentage of GDP was 3.2% in 2005 which was relatively lower than countries such as the United Kingdom, Singapore and Malaysia. We have a joint venture partnership with Prudential Plc of the United Kingdom for the life insurance business. We have a 74.0% interest in this joint venture. This joint venture company, ICICI Prudential Life Insurance Company Limited commenced business operations in December 2000 and is the largest private sector life insurance company in India, with a retail market share of approximately 28% in the private sector and an overall market share of approximately 10% based on new business premiums (on a weighted received premium basis) during fiscal 2007 [Source: IRDA]. In the non-life insurance sector, we have a joint venture with Fairfax Financial Holdings. We have a 74.0% interest in this joint venture. The joint venture company, ICICI Lombard General Insurance Company Limited, obtained the license to conduct general insurance business in August 2001 and is the largest private sector general insurance company in India, with a market share of approximately 34% in gross written premium in the private sector and a total market share of approximately 12% during fiscal 2007 [Source: IRDA]. The key dimensions of our strategy for growth in the insurance business are innovative products, a wide distribution network, a prudent portfolio mix and sound risk management practices. In addition, we are focused on leveraging our corporate and retail customer base for cross selling insurance products.

The mutual fund sector in India is relatively under-penetrated with total assets under management of Rs. 3.3 trillion constituting only 12.4% of total bank deposits. We have a joint venture partnership with Prudential Plc of the United Kingdom for the asset management business. We have a 51.0% interest in this joint venture. This joint venture company, ICICI Prudential Asset Management Company is among the two largest mutual funds in India, with total assets under management at approximately Rs. 379.00 billion and a market share of approximately 11.6% at year-end fiscal 2007 [Source: AMFI].

Emphasize Conservative Risk Management Practices and Enhance Asset Quality

We believe that conservative risk management policies, processes and controls are critical for long-term sustainable competitive advantages in our business. Our Global Risk Management Group is an independent and centralized group responsible for establishing and implementing company-wide risk management policies, with a focus on enhancing asset quality. Our independent and centralized Compliance Group, Internal Audit Group and Middle Office Groups monitor adherence to regulations, policies and procedures. We continue to build on our credit risk management procedures, credit evaluation and rating methodology, credit risk pricing models, proprietary analytics and monitoring and control mechanisms. We seek to control credit risk in the retail loan portfolio, the small enterprises loan portfolio and the agricultural financing portfolio through carefully designed approval criteria and credit controls and efficient collection and recovery systems. We have also established standards and investigative verification procedures for selection of our marketing and processing agents. Following the frauds in our rural warehouse receipt financing product, we have undertaken a comprehensive review of our products and process for rural and agricultural financing. We seek to improve the credit risk profile of the project and corporate loan portfolio through the use of financing structures based on a security interest in the cash flows generated from the business of the borrower and increased collateral, including additional security in the form of liquid assets, such as investment securities and readily marketable real property. We are also trying to mitigate project risk through the allocation of risk to various project counterparties, such as construction contractors, operations and maintenance contractors and raw material and fuel suppliers, by entering into rigorous project contracts with those counterparties. We expect to enter new product markets only after conducting detailed risk analysis and pilot testing programs.

Use Technology for Competitive Advantage

We seek to be at the forefront of technology usage in the financial services sector. Information technology is a strategic tool for our business operations to gain a competitive advantage and to improve overall productivity and efficiency

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of the organization. All of our technology initiatives are aimed at enhancing value, offering customer convenience and improving service levels while optimizing costs. We expect to continue with our policy of making investments in technology to achieve a significant competitive advantage. The key objectives behind our information technology strategy continue to be:

- building a cost-efficient distribution network to accelerate the development of our retail and rural franchise;
- enhancing cross selling and client segmenting capability by using analytical tools and efficient data storage and retrieval systems;
- improving credit risk and market risk management;
- improving product and client profitability analysis; and
- leveraging our technology competencies and cost efficiencies in international markets.

Attract and Retain Talented Professionals

We believe a key to our success will be our ability to continue to maintain and grow a pool of strong and experienced professionals. We have been successful in building a team of talented professionals with relevant experience, including experts in credit evaluation, risk management, retail consumer products, treasury, technology and marketing. Recruitment is a key management activity and we continue to attract graduates from the premier Indian business schools as well as employees with other professional qualifications. Recruitment and assimilation of talented professionals from other organizations is a key element of our strategy. We believe we have created the right balance of performance bonuses, stock options and other economic incentives for our employees so that they will be challenged to develop business, achieve profitability targets and control risk. We intend to continuously re-engineer our management and organizational structure to allow us to respond effectively to changes in the business environment and enhance our overall profitability.

Overview of our Operations

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

Commercial Banking Products and Services 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 issuance of unsecured redeemable bonds.

Retail Lending Activities

We offer a range of retail asset products, including home loans, automobile loans, commercial vehicle loans, two wheeler loans, personal loans, credit cards, loans against time deposits and loans against shares. We also fund dealers who sell automobiles, two wheelers, consumer durables and commercial vehicles. We have capitalized on the growing retail opportunity in India and believe that we have emerged as a market leader in retail credit, with an outstanding retail finance portfolio of Rs. 1,292.81 billion at year-end fiscal 2007. Our principal retail credit products are:

Home Finance

Our home finance business, and the business of our subsidiary ICICI Home Finance Company, involves giving long-term housing loans to individuals and corporations and construction finance to builders. These loans are secured by a mortgage of the property financed. These loans are extended for maturities generally ranging from five to 20 years and a large proportion of these loans are at floating rates of interest. This reduces the interest rate risk that we assume, since our funding is generally of shorter maturity. Any change in the benchmark rate to which the rate of interest on the home 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 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 effected first by a prolongation of the repayment schedule, keeping the monthly installment amount unchanged, and based on certain criteria, by changing the monthly installment amount.

Automobile Finance and Two Wheeler Loans

Automobile finance generally involves the provision of retail consumer credit for an average maturity of three to five years to acquire specified new and used automobiles. Automobile loans are secured by a charge on the purchased automobile. We have a strong external distribution network and a strong in-house team to manage the distribution network which has been instrumental in achieving this leadership position. We also have strong relationships with automobile manufacturers and are a “preferred financier” with several automobile manufacturers in India. We also provide loans for purchase of scooters and motorcycles.

Commercial Business

We fund commercial vehicles, utility vehicles and construction and farm equipment sold through manufacturer-authorised dealers. The finance is generally for a maximum term of five to seven years through loans, hire purchase agreements or a lease.

Personal Loans

Personal loans are unsecured loans provided to customers who use these funds for various purposes such as higher education, medical expenses, social events and holidays. Recently we have experienced rapid growth in our portfolio of personal loans. Our portfolio of personal loans includes micro-banking loans, which are relatively small value loans to lower income customers in urban areas. See “Risk Factors- Our rapid retail expansion in India and our rural initiative expose us to increased risk that may adversely affect our business” on page xiii.

Credit Cards

We have a credit card base of over 7.5 million cards. As the Indian economy develops, we expect that the retail market will seek short-term credit for personal uses, and our offering of credit cards will facilitate further extension of our retail credit business. We also earn fee incomes from card transactions as the issuing bank and as the acquiring bank where the transaction occurs on a point of sale terminal installed by us.

Dealer Funding

We fund dealers who sell automobiles, two wheelers, consumer durables and commercial vehicles. These loans are generally given for a short term.

We have played a leading role in the growth and development of the securitisation market in India. We also focus on selling down our loans to better utilise capital, manage portfolio concentrations and provide additional flexibility and liquidity.

For details of the composition of our outstanding retail finance portfolio, see “ - Asset Composition and Classification” on page 76.

Lending to Small Enterprises

We are seeking to extend our reach to the growing small enterprises sector through segmented offerings. We provide supply chain financing, including financing of selected customers of our corporate clients. We also provide financing on a cluster-based approach that is financing of small enterprises that have a homogeneous profile such as apparel manufacturers, auto ancillaries, pharmaceuticals and gems & jewellery. We have launched smart business loans to meet the working capital needs of small businesses. We also provide short term loans to small businesses for a period of upto 36 months. The funding under this facility is unsecured and the loan amount varies from Rs. 0.2 million to Rs. 2.5 million per customer.

Retail Deposits

Our retail deposit products include the following:

- time deposits including:
- recurring deposits, which are periodic deposits of a fixed amount over a fixed term that accrue interest at a fixed rate and may be withdrawn before maturity by paying penalties; and
- certificates of deposit;
- savings accounts, which are demand deposits that accrue interest at a fixed rate set by RBI (currently 3.5% per annum) and upon which cheques can be drawn; and
- current accounts, which are non-interest bearing demand deposits.

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In addition to deposits from Indian residents, we accept time and savings deposits from non-resident Indians, foreign nationals of Indian origin and foreign nationals working in India. These deposits are accepted on a repatriable and a non-repatriable basis and are maintained in rupees and select foreign currencies. See also “- Commercial Banking Products and Services for International Customers” on page 73. For a description of RBI’s regulations applicable to deposits in India and required deposit insurance, see “Regulations and Policies - Regulations Relating to Deposits” and “Regulations and Policies — Deposit Insurance” on page 124.

Following a strategy focused on customer profiles and product segmentation, we offer differentiated liability products to various categories of customers depending on their age group, such as Young Star Accounts for children below the age of 18 years, Student Banking Services for students, Salary Accounts for salaried employees and Senior Citizens Account for individuals above the age of 60 years. During fiscal 2007, we launched special term deposit products for durations of 390, 590 and 890 days. We have also segmented various categories of customers to offer targeted products, like Private Banking for high net worth individuals, Defence Banking Services for defence personnel, Special Savings Accounts for trusts and Roaming Current Account for businessmen.

See also “—Funding” on page 86.

Bond Issues

We offer retail liability products in the form of a variety of unsecured redeemable bonds. RBI has prescribed limits for issuance of bonds by banks. During the year ended fiscal 2007, we did not issue any bonds to retail investors. While we expect that deposits will continue to be our primary source of funding, we may conduct bond issues in the future.

Fee-Based Products and Services

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

As a depository participant of the National Securities Depository Limited and Central Depository Services (India) Limited, we offer depository share accounts to settle securities transactions in a dematerialized mode. Further, we are one of the banks designated by RBI 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 banking products and services to India’s leading corporations and growth-oriented middle market companies, including loan products, fee and commission-based products and services, deposits and foreign exchange and derivatives products. We serve our corporate clients through two corporate relationship groups, the Global Clients Group and the Major Clients Group. The Global Investment Banking Group and the Global Project Finance Group focus on origination and execution of investment banking and project finance mandates. The Transaction Banking Group focuses on transaction banking and product development and sales. The Global Markets Group provides foreign exchange and other treasury products to corporate as well as small enterprise clients.

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 “—Asset Composition and Classification—Loan Concentration”. For a description of our credit rating and approval system, see “—Risk Management—Credit Risk—Credit Risk Assessment Procedures for Corporate Loans” on page 91.

Project and Corporate Finance

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. We also focus on the application of securitisation techniques to credit enhance our traditional lending products.

We leverage our international presence to offer debt financing and other products and services to our corporate customers. We offer foreign currency loans to Indian corporates that wish to raise debt in offshore markets under the External Commercial Borrowings guidelines of RBI. We offer bilateral facilities and also arrange the financing from the offshore syndicated loan market. Foreign currency credit is arranged through commercial loans, syndicated loans, bonds and floating rate notes, lines of credit from foreign banks and financial institutions, and loans from export credit agencies. These loans are typically denominated in US dollars and their maturity varies from three to seven years. We seek to leverage our international presence to originate and syndicate financing mandates. In addition to taking credit exposures, we earn fee incomes from our corporate and project finance activities.

Working Capital Finance

Our working capital financing consists mainly of cash credit facilities and bill discounting. Under the cash credit facility, a line of credit is provided up to a pre-established amount based on the borrower's projected level of inventories, receivables and cash deficits. Up to this pre-established amount, disbursements are made based on the actual level of inventories and receivables. The facility is generally given for a period of up to 12 months, with a review after that period. Our cash credit facility is generally fully secured with full recourse to the borrower. In most cases, we have a first charge on the borrower's current assets, which normally are inventory and receivables. Bill discounting involves the financing of short-term trade receivables through negotiable instruments. These negotiable instruments can then be discounted with other banks if required, providing us with liquidity.

Other Fee and Commission-Based Activities

Letters of Credit and Guarantees

We provide letter of credit facilities to our customers both for meeting their working capital needs as well as for capital equipment purchases. Lines of credit for letters of credit are approved as part of a working capital loan package provided to a borrower. These facilities, like cash credit facilities, are generally given for a period up to 12 months, with review after that period. We provide guarantees, which can be drawn down any number of times up to the committed amount of the facility. We issue guarantees on behalf of our borrowers in favour of corporations and Government authorities. Guarantees are generally issued for the purpose of bid bonds, guaranteeing the performance of our borrowers under a contract as security for advance payments made to our borrowers by project authorities and for deferral of and exemption from the payment of import duties granted to our borrowers by the Government against fulfillment of certain export obligations by our borrowers. The term of these guarantees is generally up to 36 months though in specific cases, the term could be higher. In addition, as a part of our project financing activity, we issue guarantees to foreign lenders, export credit agencies and domestic lenders on behalf of our clients.

Other Fee-Based Activities

We also offer cash management services (such as collection, payment and remittance services), escrow, trust and retention account facilities, online payment facilities, custodial services and tax collection services on behalf of the government of India and the governments of Indian states. Under cash management services, we offer our corporate clients custom-made collection, payment and remittance services allowing them to reduce the time period between collections and remittances, thereby streamlining their cash flows. Our cash management products include physical cheque-based clearing in locations where settlement systems are not uniform, electronic clearing services, central pooling of country-wide collections, dividend and interest remittance services and Internet-based payment products. We also act as bankers to corporates for their dividend pay out to their shareholders, as also for interest pay out to the company's investors and depositors which results in interest-free float balances for us. We also offer custodial services to clients. At year-end fiscal 2007, total assets held in custody on behalf of our clients (mainly foreign institutional investors, offshore funds, overseas corporate bodies and depository banks for GDR investors) were Rs. 910.49 billion. As a registered depository participant of National Securities Depository Limited and Central Depository Services (India) Limited, the two securities depositories operating in India, we also provide electronic depository facilities to investors. Further, we generate fee income from our syndication and securitisation activities.

Corporate Deposits

We take deposits from our corporate clients with terms ranging from 15 days (seven days in respect of deposits over Rs. 1.5 million) to 10 years but predominantly from 15 days to one year. RBI regulates the term of deposits in India, but not the interest rates, with some minor exceptions. Banks are not permitted to pay interest for periods less than seven days. Also, pursuant to the current regulations, we are permitted to vary the interest rates on our corporate

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deposits based upon the size range of the deposit so long as the rates offered are the same for every customer of a deposit of a certain size range on a given day. Our deposit products for corporations include:

- current accounts — non-interest-bearing demand deposits;
- time deposits — fixed term deposits that accrue interest at a fixed rate and may be withdrawn before maturity by paying penalties; and
- certificates of deposit — a type of time deposit.

We also act as a banker to the market offerings of select companies on account of raising of equity or debt, buy back of equity and takeovers. These companies are required to maintain the subscription funds with the bankers to the offering until the allotment of shares/buy back of shares and the refund of excess subscription is completed. This process generally takes about 15 to 30 days, resulting in short-term deposits with us. We act as a banker to corporates for their dividend payout to their shareholders and interest payout to investors and depositors, which results in mobilising interest-free, float balances to us.

Customer Foreign Exchange

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. Our Global Markets Group designs these products and covers the risk in the inter-bank market.

The products and services include:

Foreign exchange product:

These include spot, cash, and forward transactions which enable customers to hedge the risks arising out of currency rate fluctuation based on their underlying exposure in a particular currency. These products are offered without any value restrictions within the regulatory guideline. We provide remittance facility to retail customers.

Foreign exchange and interest rate derivatives:

These include products like options and swaps, which are derived from the foreign exchange market or the interest rate market. They are tailor made products designed to meet specific risk hedging requirements of the customer.

Bullion and Commodities:

We deal in precious metals and offer various products to customers like sale on spot or consignment basis, gold forwards for price risk hedging, gold loans and import of coins for sale through retail branches.

We also hedge our own exchange rate and commodity risk related to these products from banking counterparties. We earn fee income on these products and services from our customers.

Credit Derivatives

Our offshore branches and subsidiaries are allowed to invest in credit derivatives. Our branches have been making investments in credit derivatives including credit default swaps (CDS), credit linked notes (CLN) and collateralized debt obligations (CDO). At year-end fiscal 2007, the outstanding investments in credit derivatives included Rs. 14,684.2 million (Rs. 12,938.3 million at year-end fiscal 2006) in funded instruments and Rs. 59,096.9 million (Rs. 23,514.4 million at year-end fiscal 2006) of notional principal amount in unfunded instruments. The exposures through these derivatives are governed by our investment policy, which lays down the position limits and other risk limits.

Commercial Banking for Rural and Agricultural Customers

We believe that rural India offers a major growth opportunity for financial services and have identified this as a key focus area. Till fiscal 2007, RBI's directed lending norms required us to lend 18.0% of our net bank credit on the residual portion of our advances (i.e., our total advances excluding the advances of ICICI at year-end fiscal 2002) to the agricultural sector. Effective fiscal 2008, RBI has linked the directed lending targets for all banks to their adjusted net bank credit (net bank credit plus investments made by banks in non statutory liquidity ratio bonds included in the held to maturity category) or credit equivalent amount of off-balance sheet exposure, whichever is higher at the previous year-end. The guidelines have capped eligible direct agriculture finance to non-individuals, (i.e. partnerships, corporates and institutions) at Rs. 10.0 million per borrower. Rural banking presents significant challenges in terms of geographical coverage and high unit transaction costs. See also "Risk Factors—Risks Relating to our Business— Our rapid retail expansion in India and our rural initiative expose us to increased risk that may adversely affect our business"

on page xiii. Our rural banking strategy seeks to adopt a holistic approach to the financial needs of various segments of the rural population, by delivering a comprehensive product suite encompassing credit, transaction banking, deposit, investment and insurance. We provide corporate banking products and services to corporate clients engaged in agriculture-linked businesses. We are seeking to grow our rural individual and household lending portfolio by developing and scaling up credit products to various segments of the rural population, whether engaged in agriculture or other economic activity. Our rural credit products for individuals and households include loans to farmers for cultivation, post-harvest financing against warehouse receipts, loans for purchase of tractors, working capital for trading and small enterprises, loans against jewellery and micro-finance loans for various purposes. We are seeking to roll-out our rural strategy and reach out to rural customers through partnerships with micro-finance institutions and companies active in rural areas. Our rural delivery channels include branches, micro-finance institutions, third-party kiosks and franchisees. See also “— Competition” on page 85.

For details of our directed lending portfolio, see “—Asset Composition and Classification—Loan Concentration—Directed Lending” on page 79.

Commercial Banking for International Customers

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

- **Money2India:** We are a large player in the Indian remittance market. According to Reserve Bank of India data, the aggregate private transfers to and from India during fiscal 2006 were US\$ 24.6 billion. For easy transfer of funds to India, we offer a suite of online as well as offline money transfer products featured on our website www.money2india.com. These speedy, cost effective and convenient products enable non-resident Indians to send money to any bank at over 18,000 locations in India. During the nine months ended December 31, 2006, we had a market share of over 25.0% in all inward remittances to India.
- **TradeWay:** an Internet-based documentary collection product to provide correspondent banks access to real-time on line information on the status of their export bills collections routed through us.
- **Remittance Tracker:** an Internet-based application that allows a correspondent bank to query on the status of their payment instructions and also to get various information reports online.
- **Offshore banking deposits:** multi-currency deposit products in US dollar, pound sterling and euro.
- **Foreign currency non-resident deposits:** foreign currency deposits offered in four main currencies—US dollar, pound sterling, euro and yen.
- **Non-resident external fixed deposits:** deposits maintained in Indian rupees.
- **Non-resident external savings account:** savings accounts maintained in Indian rupees.
- **Non-resident ordinary savings accounts and non-resident ordinary fixed deposits.**

Our organization structure for international operations comprises the International Retail Banking Group, the International Financial Institutions Group and the geographic regions of Europe, North America and Russia; the Middle-East and Africa; and Asia. The International Retail banking Group is jointly responsible with the three regions for retail banking products and services across markets. It currently focuses primarily on non-resident Indians and direct banking. Through branches and subsidiaries in the three geographic regions we also deliver products and services to our corporate clients. We leverage our international presence to offer debt financing and other services to our corporate customers. We currently have subsidiaries in the United Kingdom, Canada and Russia, branches in Singapore, Dubai International Finance Centre, Sri Lanka, Hong Kong, Qatar and Bahrain and representative offices in the United States, China, United Arab Emirates, Bangladesh, South Africa, Thailand, Indonesia and Malaysia. Our subsidiaries in the United Kingdom, Canada and Russia offer local banking products and services in those countries. Our subsidiary in United Kingdom has established a branch in Antwerp, Belgium in May 2006 and has received regulatory approvals to establish a branch in Frankfurt, Germany. In Canada and the United Kingdom, we have also launched direct banking offerings using the Internet as the access channel.

Insurance

We provide a wide range of insurance products and services through our subsidiaries ICICI Prudential Life Insurance Company Limited and ICICI Lombard General Insurance Company Limited. ICICI Prudential Life Insurance Company Limited and ICICI Lombard General Insurance Company Limited are joint ventures with Prudential Plc of UK and Fairfax Financial Holdings Limited of Canada, respectively. We have approximately 74.0% interest in both these entities. Subject to the amendment of foreign ownership regulations, Prudential Plc has the right to increase its shareholding

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in ICICI Prudential Life Insurance Company Limited to 49.0% 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 10 years from the commencement of business by the concerned insurance company. We and Prudential have agreed that if a higher level of promoter shareholding is permitted, then this would be in the proportion of 51.0% being held by us and 49.0% being held by Prudential. See "Supervision and Regulation – Regulations Governing Insurance Companies" on page 130. Further, we and each of the 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). We collect fees from these subsidiaries for generating leads and providing referrals that are converted into policies. ICICI Prudential Life Insurance Company Limited incurred a net loss of Rs. 6.5 billion in fiscal 2007. As would be typical for life insurance companies during the periods of high growth, the loss was due to business set-up and customer acquisition costs as well as reserving for actuarial liability. ICICI Prudential Life Insurance recorded a total new business premium of Rs. 51.6 billion during fiscal 2007 as compared to Rs. 26.0 billion during fiscal 2006, a growth of 98.4%. ICICI Prudential Life Insurance was the largest player in the retail segment of the private sector life insurance market with a market share of about 28% during fiscal 2007 (on weighted received premium basis). ICICI Lombard General Insurance Company Limited made a net profit of Rs. 684 million in fiscal 2007. ICICI Lombard General Insurance Company's profits are impacted by business set up and customer acquisition costs, that are expensed as incurred under Indian GAAP. ICICI Lombard General Insurance recorded a total gross written premium of Rs. 30.0 billion during fiscal 2007 as compared to Rs. 15.9 billion during fiscal 2006, a growth of 88.7%. ICICI Lombard General Insurance was the largest private general insurer with a market share of 34% in gross written premium among the private sector general insurance companies during the year ended fiscal 2007. We expect our insurance joint ventures to experience significant growth.

Our board of directors has subject to the receipt of all regulatory approvals, approved the transfer of our equity shareholding in ICICI Prudential Life Insurance Company Limited, ICICI Lombard General Insurance Company Limited, ICICI Prudential Asset Management Company Limited and ICICI Prudential Trust Limited to a proposed new subsidiary. ICICI Bank proposes to transfer its aggregate investment in these companies of Rs. 22.28 billion at year-end fiscal 2007 and any further investments that may be made by us prior to such transfer, to the proposed new subsidiary at the book value of these investments in our books on the date of transfer. The proposed new subsidiary proposes to raise equity capital through private placements or an initial public offering to meet the future capital requirements of the insurance subsidiaries. Pursuant to initiation of discussions with potential investors for investment in the proposed new subsidiary, we have received definitive offers from investors for subscription to equity shares of the proposed new subsidiary and for entering into definitive agreements for this purpose. The subscription amount is Rs. 26.50 billion towards fresh issue of shares by the proposed new subsidiary, and the investors would thereby acquire a collective stake of 5.9% in the proposed new subsidiary, valuing it at Rs. 446.00 billion on a post-issue basis. Naturally, any such implied valuation may vary over time depending upon the business of the proposed new subsidiary, the nature of the financing round and other elements. The arrangement is subject to receipt of regulatory and other approvals including that of the Reserve Bank of India, the Insurance Regulatory and Development Authority and the Foreign Investment Promotion Board, and would terminate failing receipt of such approvals within a mutually agreed date. While our Bank has not received any official communication from the Foreign Investment Promotion Board in respect of its application, we have been given to understand that our application has not been approved by the Foreign Investment Promotion Board at its meeting on June 22, 2007. We will, in consultation with our advisors, evaluate the further steps to be taken to obtain the requisite approvals in this regard. An affiliate of Goldman Sachs (India) Securities Private Limited, one of the BRLMs in this Issue, has presented definitive offers to subscribe for shares constituting 2.02% of the post-issue equity capital of the proposed new subsidiary. See "Risk Factors – Risks Relating to Our Business - We have proposed a reorganization of our holdings in our insurance and asset management subsidiaries and our inability to implement this reorganization as well as the significant additional capital required by these businesses may adversely impact our business and the price of our Equity Shares" on page xix.

Delivery Channels

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

At year-end fiscal 2007, we had a network of 710 branches and 45 extension counters across several Indian states. Extension counters are small offices primarily within office buildings or on factory premises that provide commercial banking services.

As a part of its branch licensing conditions, RBI 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 year-end fiscal 2007.

At March 31, 2007

	Number of branches and extension counters	% of total
Metropolitan/urban	478	63%
Semi-urban/rural	277	37%
Total	755	100.0%

Note: Pursuant to the amalgamation of Sangli Bank with us, our branch network has increased by over 190 branches and extension counters out of which about 100 are in semi-urban/rural areas effective April 19, 2007.

At year-end fiscal 2007, we offered one or more retail credit products in about 1,060 centers.

At year-end fiscal 2007, we had 3,271 ATMs, of which 1,150 were located at its branches and extension counters. Through our website www.icicibank.com, we offer our customers online access to account information and payment and fund transfer facilities. We provide Internet banking services to its corporate clients through ICICI e-business, a finance portal which is the single point web-based interface for all our corporate clients. We provide telephone banking services through our call center. At year-end fiscal 2007, our call center had over 4,460 workstations in India. We offer mobile phone banking services to our customers using any cellular telephone service operator in India.

Treasury

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

Under RBI's statutory liquidity ratio requirement, we are required to maintain a minimum of 25.0% of our demand and time liabilities by way of approved securities, such as Government of India securities and state Government securities. Amendments to the Banking Regulation Act have been proposed in the Indian Parliament to remove the lower and upper bounds to the statutory liquidity ratio and to provide flexibility to RBI to prescribe prudential norms. We maintain the statutory liquidity ratio through a portfolio of Government of India securities that we actively manage to optimize the yield and benefit from price movements. Under RBI's cash reserve ratio requirements, we are currently required to maintain a minimum of 6.5% of our net demand and time liabilities in a current account with RBI. Effective fiscal 2008, RBI has discontinued interest payment on cash reserve ratio balances.

For a further discussion of these regulatory reserves, see "Regulation and Policies—Legal Reserve Requirements" on page 125. Our treasury undertakes liquidity management by seeking to maintain an optimum level of liquidity and complying with the cash reserve ratio requirement. The objective is to ensure the smooth functioning of all our branches and at the same time avoid holding excessive cash. We maintain a balance between interest-earning liquid assets and cash to optimize earnings and undertake reserve management by maintaining statutory reserves, including the cash reserve ratio and the statutory liquidity ratio. Further, we engage in domestic and foreign exchange operations from a centralized trading floor in Mumbai. As part of our treasury activities, we also maintain proprietary trading portfolios in domestic debt and equity securities and in foreign currency assets. Our treasury manages our foreign currency exposures and the foreign exchange and risk hedging derivative products offered to our customers and engages in proprietary trading of currencies. Our investment and market risk policies are approved by the Risk Committee and Asset Liability Management Committee of our Board of directors.

Our investments portfolio is classified into three categories - held to maturity, available for sale and held for trading. Investments acquired with the intention to hold them up to maturity are classified as held to maturity subject to the extant regulation issued by RBI. 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

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(c) shares (d) bonds and debentures (e) subsidiaries and joint ventures and (f) others. Investments classified under the held to maturity category are not marked to market and are carried at acquisition cost, unless it is more than the face value, in which case the premium is amortized over the period of such securities. The individual scripts in the available for sale category are marked to market. Investments under this category are valued script-wise and depreciation / appreciation is aggregated for each classification. Net depreciation, if any, is provided for. Net appreciation, if any, is ignored. The individual scripts 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 break-up of our investment portfolio.

	At March 31				
	2003	2004	2005	2006	2007
	(in billions)				
Government and other approved securities	Rs. 255.83	Rs. 299.18	Rs. 344.82	Rs.510.74	Rs.673.68
Debentures and bonds	56.90	55.49	28.54	18.04	24.63
Shares	16.42	16.84	19.15	20.58	19.37
Others ⁽¹⁾	25.47	62.85	112.36	166.11	194.90
Total	Rs. 354.62	Rs. 434.36	Rs. 504.87	Rs. 715.47	Rs. 912.58

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

At year-end fiscal 2007, 76.2% of our Government securities portfolio was in the Held to Maturity category. We have a limited equity portfolio because RBI restricts investments by a bank in equity securities. See "Regulations and Policies – Reserve Bank of India Regulations – Regulations relating to Investments and Capital Market Exposure Limits". A significant portion of ICICI's investments in equity securities was related to projects financed by it. RBI has permitted us to exclude these investments for determining compliance with the restriction on investments by banks in equity securities, for a period of five years from the amalgamation. In addition, RBI also approves the exclusion, on a case by case basis, of equity investments acquired by conversion of loans under restructuring schemes approved by the Corporate Debt Restructuring Forum. To ensure compliance with the Securities and Exchange Board of India's revised insider trading regulations, all dealings in our equity investments in listed companies are undertaken by the equity and corporate bonds dealing desks of our treasury, which are segregated from our other business groups as well as the other groups and desks in the treasury, and which do not have access to unpublished price sensitive information about these companies that may be available to us as lenders.

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

For details of our treasury-related products and services for corporate customers, such as forward contracts and interest rate and currency swaps, and foreign exchange products and services, see "—Commercial Banking for Corporate Customers" on page 70.

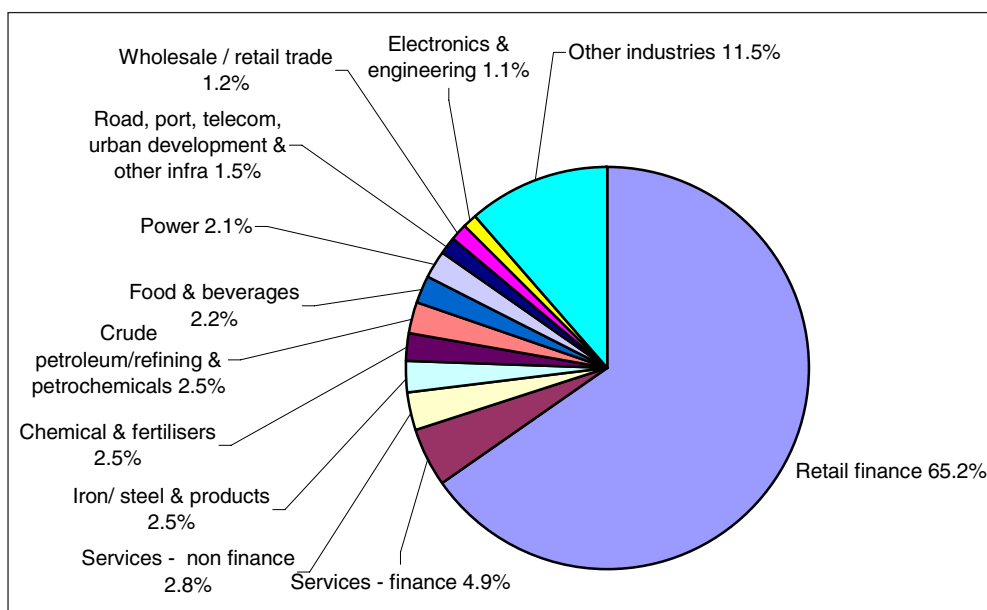
Asset Composition and Classification

Loan Concentration

We follow a policy of portfolio diversification and evaluate our total financing in a particular sector in light of our forecasts of growth and profitability for that sector. We identified retail finance as an area with potential for growth and sought to increase our financing to retail finance. We believe that retail finance offers significant risk diversification benefits as the credit risk is spread over a large number of relatively small individual loans. The growth of our retail finance portfolio has been the principal driver of our portfolio diversification strategy. Our loans and advances to retail finance constituted 65.2% of our total loans and advances at year-end fiscal 2007 compared to 62.9% at year-end fiscal 2006 and 60.9% at year-end fiscal 2005.

Our Global Credit Risk Management Group monitors all major sectors of the economy and specifically follows sectors to which we have loans outstanding. We seek to respond to any economic weakness in an industrial segment by restricting new exposures to that segment and any growth in an industrial segment by increasing new exposures to that segment, resulting in active portfolio management.

The following diagram represents the composition of advances at year-end fiscal 2007:



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

	At March 31,						At March 31,		
	2005			2006			2007		
	Total advance	% of total advance	Total advance to top five companies as a % of industry advances	Total advances	% of total advances	Total advance to top five companies as a % of industry advances	Total advances	% of total advances	Total
(in billions, except percentages)									
Retail finance ⁽¹⁾	566.52	60.9	-	929.08	62.9	-	1,292.81	65.2	-
Services – finance	19.47	2.1	46.1	58.93	4.0	28.1	96.16	4.9	43.3
Services - non finance ⁽²⁾	16.54	1.8	43.4	41.90	2.8	64.2	56.25	2.8	46.7
Iron/ steel and products	49.47	5.3	70.4	48.68	3.3	64.2	50.15	2.5	74.5
Chemical and fertilizers	18.37	2.0	49.2	30.36	2.1	64.8	48.78	2.5	61.1
Crude petroleum/ refining and petrochemicals	43.01	4.6	92.0	44.33	3.0	90.0	48.57	2.5	84.5
Food and beverages ⁽³⁾	16.96	1.8	27.8	39.75	2.7	30.3	44.17	2.2	32.7
Power	17.40	1.9	69.1	27.07	1.8	81.6	41.28	2.1	62.9
Road, port, telecom, urban development and other infrastructure	34.64	3.7	63.9	30.11	2.0	77.7	29.87	1.5	75.8
Wholesale / retail trade	9.51	1.0	74.6	12.70	0.9	64.3	24.63	1.2	61.4
Electronics and engineering	19.59	2.1	59.0	23.70	1.6	70.0	21.86	1.1	67.3
Other industries ⁽⁴⁾	118.97	12.8	14.8	189.62	12.8	10.8	227.40	11.5	10.0
Total	930.45	100.0%		1,476.2	100.0%		1,981.93	100.0%	

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

(2) Includes offshore drilling.

(3) Includes sugar and tea.

(4) Other industries primarily include textile, shipping, construction, manufacturing products (excluding metal), automobiles, drugs & pharmaceuticals, metal and products (excluding iron/steel products), cement, gems and jewellery, fast moving consumer goods, mining

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Our loans and advances at year-end fiscal 2007 increased by 34.3% compared to year-end fiscal 2006. Retail finance constituted 65.2% of total advances at year-end fiscal 2007 compared to 62.9% at year-end fiscal 2006 and 60.9% at year-end fiscal 2005. (See "Risk factors – Internal Risk Factors and Risks relating to Our Business - Our rapid retail expansion in India, our rural initiative and our insurance ventures expose us to increased risk that may adversely affect our business" on page xiii). Our advances to the financial services sector as a percentage of total advances increased to 4.9% at year-end fiscal 2007 compared to 4.0% at year-end fiscal 2006 and 2.1% at year-end fiscal 2005. Our advances to the non-financial services sector as a percentage of total advances was 2.8% at year-end fiscal 2007 compared to 2.8% at year-end fiscal 2006 and 1.8% at year-end fiscal 2005.

We continue to see retail products and services as a major driver of our growth and a critical component of our projections of earnings (See "Risk factors" on page xi). The following table sets forth, at the dates indicated, the composition of our gross (net of write-offs) outstanding retail finance portfolio.

	At March 31,					
	2005		2006		2007	
	Total advances	% of total retail advances	Total retail advances	% of total retail advances	Total advances	% of total total advances
	(in billions, except percentages)					
Home loans	Rs. 284.76	50.3%	Rs. 454.84	49.0%	Rs. 638.54 ¹	49.4%
Automobile loans	102.86	18.2%	188.74	20.3%	191.80	14.8%
Commercial business	85.59	15.1%	120.49	13.0%	202.17	15.7%
Two-wheeler loans	12.41	2.2%	20.98	2.3%	23.27	1.8%
Personal loans	24.95	4.4%	58.98	6.3%	124.61	9.6%
Credit cards	20.64	3.6%	35.44	3.8%	60.78	4.7%
Loans against securities & others ²	35.31	6.2%	49.61	5.3%	51.64 ²	4.0%
Total retail finance portfolio	Rs. 566.52	100.0%	Rs. 929.08	100.0%	Rs. 1,292.81	100.0%

(1) Includes developer financing of Rs. 45.95 billion

(2) Includes dealer financing portfolio of Rs. 33.27 billion

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

The following tables set forth, at the date indicated below, our top 10 individual borrower exposures as a percentage of the total capital funds.

At March 31, 2007		
Borrower ⁽¹⁾ No.	Industry	As % of total capital
1	Mutual fund ⁽²⁾	13.1
2	Electronics and engineering	10.8
3	Crude petroleum/ refining and petrochemicals	9.3
4	Crude petroleum/ refining and petrochemicals	8.9
5	Other metal and products	8.8
6	Electronics and engineering	8.7
7	Crude petroleum/ refining and petrochemicals	8.2
8	Crude petroleum/ refining and petrochemicals	8.0
9	Securitisation companies	7.6
10	Electronics and engineering	6.7

(1) Excluding banks.

(2) We deploy surplus liquidity in mutual fund investments.

Directed Lending

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

Priority Sector Lending

Till fiscal 2007, RBI guidelines required banks to lend 40.0% of their net bank credit (total domestic loans less marketable debt instruments and certain exemptions permitted by RBI from time to time) as of the last reporting Friday of a fiscal year to certain specified sectors called priority sectors. Priority sectors included small-scale industries, the agricultural sector, food and agri-based industries, small businesses and housing finance up to certain limits. Out of the 40.0%, banks were required to lend a minimum of 18.0% of their net bank credit to the agriculture sector and the balance to certain specified sectors, including small scale industries (defined as manufacturing, processing and services businesses with a certain limit on investment in plant and machinery), small businesses, including retail merchants, professional and other self employed persons and road and water transport operators, housing loans up to certain limits and to specified state financial corporations and state industrial development corporations. In its letter dated April 26, 2002 granting its approval for the amalgamation, RBI stipulated that since ICICI's loans transferred to us were not subject to the priority sector lending requirement, we are required to maintain priority sector lending of 50.0% of our net bank credit on the residual portion of our advances (i.e. the portion of our total advances excluding advances of ICICI at year-end fiscal, 2002, henceforth referred to as residual net bank credit). This additional 10.0% priority sector lending requirement will apply until such time as our aggregate priority sector advances reach a level of 40.0% of our total net bank credit. RBI'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.

RBI has issued revised guidelines applicable from fiscal 2008 on lending to priority sector. As per the revised norms, the targets and sub-targets have been linked to the adjusted net bank credit, or credit equivalent amount of off-balance sheet exposure, whichever is higher. The definition of adjusted net bank credit does not include certain exemptions and includes certain investments and will be computed with reference to the outstanding amount as on March 31 of the year. 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. 2.0 million per borrower. The guidelines have capped eligible direct agriculture finance to non-individuals (i.e. partnership firms, corporates and institutions) at Rs. 10.0 million per borrower. One-third of loans in excess of Rs. 10.0 million per borrower would also be considered as direct finance while the remaining two-thirds would constitute indirect finance.

In addition fresh investments made by banks with National Bank of Agriculture and Rural Development in lieu of non achievement of priority sector lending targets will no longer be considered as indirect finance subsequent to end fiscal 2007. However, the existing investments in such bonds would continue to be classified as indirect agriculture finance till 2010.

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We are required to comply with the priority sector lending requirements on the last reporting Friday of March of each fiscal year. Any shortfall in the amount required to be lent to the priority sectors may be required to be deposited with government sponsored Indian development banks like the National Bank for Agriculture and Rural Development and the Small Industries Development Bank of India. These deposits have a maturity of up to seven years and carry interest rates significantly lower than market rates. We report our priority sector loans to RBI on a quarterly basis. The loans reported are as on the last "reporting Friday" of the quarter. At March 30, 2007, which was the last reporting Friday for the quarter-ended March 31, 2007, our priority sector loans were Rs. 574.58 billion, constituting 45.9% of our residual net bank credit against the requirement of 50.0%.

The following table sets forth, for the periods indicated, our priority sector loans, classified by the type of borrower, as at the last reporting Friday of fiscal 2007.

	At March 30, 2007	% of residual net bank credit at March 30, 2007
Small scale industries ⁽¹⁾	3.24	0.3
Others including housing loans and small businesses	380.00	30.3
Agricultural sector ²	191.34	15.3
Total	Rs.574.58	45.9

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

(2) Includes direct agriculture Rs. 91.61 billion constituting 7.3% of our residual net bank credit against the requirement of 13.5%.

Export Credit

As part of directed lending, RBI also requires banks to make loans to exporters at concessional rates of interest. Export credit is provided for pre-shipment and post-shipment requirements of exporter borrowers in rupees and foreign currencies. At the end of the any fiscal year, 12.0% of a bank's net bank credit is required to be in the form of export credit. This requirement is in addition to the priority sector lending requirement but credits extended to exporters that are small scale industries or small businesses may also meet part of the priority sector lending requirement. RBI provides export refinancing for an eligible portion of total outstanding export loans at the bank rate prevailing in India from time to time. The interest income earned on export credits is supplemented through fees and commissions earned from these exporter customers from other fee-based products and services taken by them from us, such as foreign exchange products and bill handling. At March 30, 2007 (last reporting Friday for March 2007), our export credit was Rs. 10.22 billion, constituting 0.8% of our residual net bank credit.

Housing Finance

RBI requires banks to lend up to 3.0% of their incremental deposits in the previous fiscal year for housing finance. This can be in the form of home loans to individuals or investments in the debentures and bonds of the National Housing Bank and housing development institutions recognized by the government of India. At March 30, 2007 (last reporting Friday for March 2007), our housing finance loans qualifying as priority sector loans were Rs. 286.85 billion and was well above the minimum requirement prescribed by the RBI.

Classification of Loans

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

Asset Classification

Assets are classified as described below:

Standard assets:	Assets that do not disclose any problems or which do not carry more than normal risk attached to the business are classified as standard assets.
Sub-standard assets:	Sub-standard assets comprise assets that are non-performing for a period not exceeding 12 months (18 months until fiscal 2003)
Doubtful assets:	Doubtful assets comprise assets that are non-performing for more than 12 months. (18 months until fiscal 2003)
Loss assets:	Loss assets comprise assets (i) the losses on which are identified or (ii) that are considered uncollectable.

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.

Restructured Loans

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

Provisioning and Write-Offs

RBI guidelines on provisioning and write-offs are as follows:

Standard assets:	As per Reserve Bank of India guidelines issued in September 2005, banks are required to make general provision at 0.40% on standard loans (excluding loans to the agriculture sector and to small and medium enterprises). As per Reserve Bank of India guidelines issued in May 2006, the general provisions for personal loans, loans and advances qualifying as capital market exposure, residential housing loans beyond Rs. 2.0 million and commercial real estate loans was increased to 1.00% from 0.40%. In January 2007, RBI increased the provisioning requirement in respect of the standard assets in the real estate sector (excluding residential housing loans), outstanding credit card receivables, loans and advances qualifying as capital market exposure and personal loans to 2.00%. RBI also increased the provisioning requirement for banks' exposures in the standard assets category to the non-deposit taking systemically important non-banking financial companies (NBFCs) to 2.00% from the existing level of 0.40%.
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 <i>ab initio</i> unsecured.
Doubtful assets:	A 100% provision/write-off is required in respect of the unsecured portion of the doubtful asset. Until year-end fiscal 2004, a 20% to 50% provision was required for the secured portion as follows: Up to one year: 20% provision; One to three years: 30% provision; and More than three years: 50% provision. Effective the quarter ended June 30, 2004, a 100% provision is required for assets classified as doubtful for more than three years on or after April 1, 2004. In respect of

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	assets classified as doubtful for more than three years at March 31, 2004, 60% to 100% provision on such secured portion was required as follows: By March 31, 2005: 60% provision; By March 31, 2006: 75% provision; and By March 31, 2007: 100% provision.
Loss assets:	The entire asset is required to be written off or provided for.
Restructured loans:	A provision equal to the difference between the present values of the future interest as per the original loan agreement and the present values of future interest on the basis of rescheduled terms at the time of restructuring, is required to be made.

Our policy

Until fiscal 2004 we made provisions aggregating 50% of the secured portion of corporate non-performing assets over a three-year period instead of the five-and-a-half year period prescribed by RBI. Effective fiscal 2005, we provide for corporate non-performing assets in line with revised Reserve Bank of India guidelines requiring 100% provision over a five-year period. Loss assets and the unsecured portion of doubtful assets are fully provided for or written off. Additional provisions are made against specific non-performing assets if considered necessary by management. We make provisions and write-offs for retail non-performing loans in excess of the provisions required by RBI guidelines. Non-performing assets acquired from ICICI in the amalgamation were fair valued and additional provisions were recorded to reflect the fair valuation. We do not distinguish between provisions and write-offs while assessing the adequacy of our loan loss coverage, as both provisions and write-offs represent a reduction of the principal amount of a non-performing asset. In compliance with regulations governing the presentation of financial information by banks, we report non-performing assets net of cumulative write-offs in our financial statements.

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

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

	At March 31,									
	2003		2004		2005		2006 ⁽¹⁾		2007 ⁽¹⁾	
	(in billions, except percentages)									
Standard	Rs. 630.50	91.5%	Rs. 705.98	94.6%	Rs. 964.08	96.6%	Rs. 1,512.81	98.5%	Rs. 2,036.46	98.0%
Of which:										
Restructured loans	92.87	13.4	75.45	10.1	65.62	6.6	55.46	3.6	50.41	2.4
Non-performing assets	58.39	8.5	40.14	5.4	34.37	3.4	22.73	1.5	41.68	2.0
Of which:										
Sub-standard	18.69	2.7	14.93	2.0	10.20	1.0	10.71	0.7	24.33	1.2
Doubtful assets	39.40	5.7	24.87	3.3	23.68	2.4	11.05	0.7	15.28	0.7
Loss assets	0.30	0.1	0.34	0.1	0.49	0.0	0.97	0.1	2.07	0.1
Total loan assets	Rs. 688.89	100.0%	Rs. 746.12	100.0%	Rs. 998.45	100.0%	Rs. 1,535.54	100.0%	Rs. 2,078.14	100.0%

(1) Includes loans and credit substitutes and excludes preference shares

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

Year ended	Gross NPA ⁽¹⁾	Net NPA	Net customer assets	% of Net NPA to Net customer assets ⁽³⁾
	(in billions, except percentages)			
March 31, 2003	58.39	31.51	640.51	4.92%
March 31, 2004	40.14	20.37	710.02	2.87%
March 31, 2005	34.37	19.83	978.94	2.03%
March 31, 2006 ⁽²⁾	22.73	10.75	1,520.07	0.71%
March 31, 2007 ⁽²⁾	41.68	20.19	2,053.74	0.98%

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

(2) Excludes preference shares

(3) The assets including loans and credit substitutes would be termed as customer assets. All interest rate sensitive facilities exposed to credit risk are considered for determining customer assets.

The ratio of net non-performing assets to net customer assets increased to 0.98% at year-end fiscal 2007 compared to 0.71% at year-end fiscal 2006. At year-end fiscal 2007, the gross non-performing assets (net of write-offs and unpaid interest) were Rs. 41.68 billion compared to Rs. 22.73 billion at year-end fiscal 2006. Gross of technical write-offs, the gross non-performing assets at year-end fiscal 2007 were Rs. 48.50 billion compared to Rs. 29.63 billion at year-end fiscal 2006. The coverage ratio (i.e. total provisions and technical write-offs made against non-performing assets as a percentage of gross non-performing assets) at year-end fiscal 2007 was 58.37% compared to 63.72% at year-end fiscal 2006. In addition, total general provision held against standard assets was Rs. 12.95 billion at year-end fiscal 2007.

In 1991, India commenced a programme of industrial liberalisation involving, among other things, the abolition of industrial licensing, reduction in import tariff barriers and greater access for foreign companies to the Indian markets. In the period following the opening up of the economy, a number of Indian companies commenced large projects in expectation of growth in demand in India. These projects generally had relatively high levels of debt relative to equity, given the inadequate depth in the equity capital markets in India at that time. However, the negative trends in the global marketplace in the late 1990s, particularly the South-east Asian economic crisis, a downturn in the commodities markets and recessionary conditions in various economies impaired the operating environment for the Indian industrial sector. The manufacturing sector was also impacted by increased competition arising from economic liberalization in India and volatility in industrial demand and growth. These factors led to stress on the operating performance of Indian corporations in certain sectors and the impairment of a significant amount of assets in the financial system, including assets of ICICI and us. Certain Indian corporations have come to terms with this new competitive reality through a process of restructuring and repositioning, including rationalization of capital structures and production capacities. The increase in commodity prices since fiscal 2003 has had a favourable impact on the operations of corporations in several sectors.

To create an institutional mechanism for the restructuring of corporate debt, RBI has devised a corporate debt restructuring system. The objective of this framework is to ensure a timely and transparent mechanism for the restructuring of corporate debts of viable entities facing problems. The operation of this system has led to the approval of restructuring programmes for a large number of companies, which led to increase in the level of restructured loans in the Indian financial system, including us. The restructured loans continue to be classified as such until they complete one year of satisfactory performance. Our net restructured standard loans decreased from Rs. 53.16 billion at year-end fiscal 2006 to Rs. 48.83 billion at year-end fiscal 2007.

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.

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	At March 31,					
	2005		2006		2007	
	Amount	%	Amount	%	Amount	%
	(in billions, except percentages)					
Retail finance ⁽¹⁾	Rs. 8.08	23.4%	Rs. 14.29	62.3%	Rs. 31.14	73.8%
Chemicals & fertilisers	2.95	8.5	1.65	7.2	1.64	3.9
Food & beverages ⁽²⁾	0.95	2.7	0.67	2.9	1.25	3.0
Textiles	4.18	12.1	1.68	7.3	0.84	2.0
Iron & steel and products	0.75	2.2	0.21	0.9	0.77	1.8
Electronics & engineering	2.82	8.1	0.55	2.4	0.63	1.5
Services – non finance	0.94	2.7	0.98	4.3	0.63	1.5
Services – finance	0.94	2.7	0.13	0.6	0.19	0.5
Paper and paper products	0.29	0.8	0.07	0.3	0.07	0.2
Automobile (including trucks)	0.68	2.0	0.03	0.1	0.06	0.1
Metal & products (excluding iron & steel)	0.17	0.5	0.01	-	0.01	0.0
Power	7.37	21.3	-	-	-	-
Cement	0.18	0.5	-	-	-	-
Road, port, telecom, urban development & other infrastructure	2.14	6.2	-	-	-	-
Other industries ⁽³⁾	2.16	6.3	2.68	11.7	4.96	11.7
Total	Rs. 34.60	100.0%	Rs. 22.95	100.0%	42.19	100.0%
Interest suspense	(0.23)		(0.22)		(0.51)	
Gross NPAs	Rs. 34.37		Rs. 22.73		41.68	

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

(2) Includes sugar and tea.

(3) Other industries primarily include shipping, construction, crude petroleum, drugs and pharmaceuticals, gems and jewellery, fast moving consumer goods and mining.

The net non-performing assets in the retail portfolio at year-end fiscal 2007 were 1.2% of net retail assets. At year-end fiscal 2007, gross non-performing loans in the collateralized retail portfolio were about 1.3% of gross collateralized retail loans and net non-performing loans in the collateralized retail portfolio were 0.7% of net collateralized retail loans. At year-end fiscal 2007, gross non-performing loans in the non-collateralized retail portfolio (including overdraft financing against automobiles) were about 8.9% of gross non-collateralized retail loans and net non-performing loans in the non-collateralized retail portfolio were about 3.9% of net non-collateralized retail loans.

The following table sets forth the 10 largest net non-performing assets at year-end fiscal 2007.

Borrower	Industry Segment	Gross Principal	Net Outstanding ⁽¹⁾
		(in billions)	
Borrower A	Services-non finance	Rs. 0.55	Rs. 0.43
Borrower B	Textiles	0.51	0.36
Borrower C	Iron & steel and products	0.28	0.25
Borrower D	Iron & steel and products	0.16	0.13
Borrower E	Electronics and engineering	0.13	0.11
Borrower F	Other industries	0.15	0.10
Borrower G	Food & beverages	0.10	0.09
Borrower H	Food & beverages	0.10	0.08
Borrower I	Other industries	0.07	0.06
Borrower J	Electronics & engineering	0.17	0.06

(1) Net of cumulative provisions and write-offs.

Competition

We face competition in all our principal areas of business from Indian and foreign commercial banks, housing finance companies, mutual funds and investment banks. We are the largest private sector bank in India and the second largest bank among all banks in the country, in terms of total assets, with total assets of Rs. 3,446.58 billion at year-end fiscal 2007. We seek to gain competitive advantage over our competitors by offering innovative products and services, use of technology, building customer relationships and developing a team of highly motivated and skilled employees. We evaluate our competitive position separately in respect of our products and services for retail and corporate customers.

Retail products and services

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 247 branches in India at the end of December 2006. Indian commercial banks have wide distribution networks but relatively less strong technology and marketing capabilities. We seek to compete in this market through a full product portfolio, effective distribution channels, which include agents, robust credit processes and collection mechanisms, experienced professionals and superior technology.

Commercial banks attract the majority of retail bank deposits, historically the preferred retail savings product in India. We have sought to capitalise on our corporate relationships to gain individual customer accounts through payroll management products and will continue to pursue a multi-channel distribution strategy utilising physical branches, ATMs, telephone banking call centres 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.

Corporate products and services

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

Traditionally, foreign banks have been active in providing trade finance, fee-based services and other short-term financing products to top tier Indian corporations. We effectively compete with foreign banks in cross-border trade

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finance as a result of our wider geographical reach relative to foreign banks and our customised trade financing solutions. We have established strong fee-based cash management services and compete with foreign banks due to our technological edge and competitive pricing strategies. We compete with foreign banks in our foreign currency lending and syndication business. Foreign banks have an advantage due to their larger balance sheets and global presence. We seek to compete with them by leveraging our strong corporate relationships and understanding of Indian credit.

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

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

International banking

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 like remittance services. We are seeking to position ourselves as an Indian bank offering globally-benchmarked products and services with an extensive distribution network in India to gain 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.

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, ICICI Lombard General Insurance and ICICI Prudential Asset Management have built strong product, distribution and risk management capabilities, achieving market leadership positions in their respective businesses. ICICI Prudential Life Insurance had a retail market share of 27.7% in new business written by private sector life insurance companies during fiscal 2007. ICICI Lombard General Insurance had a market share of 34.5% in gross written premium among the private sector general insurance companies during fiscal 2007. ICICI Prudential Asset Management Company was among the two largest private sector mutual funds at year-end fiscal 2007 with a market share of 11.6%.

Funding

Our funding operations are designed to ensure stability of funding, minimise funding costs and effectively manage liquidity. Subsequent to the amalgamation, our primary source of funding is deposits raised from both retail and corporate customers. We also raise funds through short-term rupee borrowings and public issuance of bonds. As a financial institution, ICICI was not allowed to raise banking deposits and so its primary sources of funding, prior to the amalgamation, were rupee borrowings from a wide range of institutional investors, and retail bonds. ICICI also obtained funds through foreign currency borrowings from multilateral institutions like the Asian Development Bank and the World Bank, which were guaranteed by the Government of India, as well as through commercial foreign currency borrowings. 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 year-end fiscal 2007, the total outstanding loans/ bonds of ICICI Bank that are guaranteed by the Government of India were Rs. 33,966.7 million, constituting approximately 4.8% of the total borrowings (including subordinated debt) of ICICI Bank at that date. We are in the process of replying to the Government of India in connection with this matter. We continue to raise foreign currency commercial borrowings for our operations in India, to the extent permitted under RBI's regulations, and for our international operations.

The composition of our liabilities has changed significantly pursuant to the amalgamation. Our deposits constituted 66.9% of our total liabilities at year-end fiscal 2007, 65.7% of our total liabilities at year-end fiscal 2006 and 59.5% at year-end fiscal 2005. Borrowings (including subordinated debt) constituted 20.5% of our total liabilities at year-end fiscal 2007, 19.4% of our total liabilities at year-end fiscal 2006 and 24.9% at year-end fiscal 2005. Our borrowings (including subordinated debt) were Rs. 706.61 billion at year-end fiscal 2007 compared to Rs. 486.66 billion at year-end fiscal 2006 and Rs. 417.53 billion at year-end fiscal 2005. At year-end fiscal 2002, ICICI's borrowings transferred to us pursuant to the amalgamation were Rs. 582.10 billion, which declined to Rs. 108.37 billion at year-end fiscal 2007.

Our deposits increased by 39.6% during fiscal 2007 to Rs. 2,305.10 billion at year-end fiscal 2007 compared to Rs. 1,650.83 billion at year-end fiscal 2006 and increased by 65.4% during fiscal 2006 compared to Rs. 998.19 billion at year-end fiscal 2005. This significant growth in deposits was achieved primarily through increased focus on retail and corporate customers by offering a wide range of products designed to meet varied individual and corporate needs and leveraging on our network of branches, extension counters and ATMs.

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

	March 31, 2005		March 31, 2006		March 31, 2007	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in billions, except percentages)					
Current account deposits	Rs. 128.37	12.9%	Rs. 165.73	10.0%	Rs. 213.76	9.3%
Savings deposits	113.92	11.4	209.37	12.7	288.38	12.5
Time deposits	755.90	75.7	1,275.73	77.3	1,802.96	78.2
Total deposits	Rs. 998.19	100.0%	Rs. 1,650.83	100.0%	Rs. 2,305.10	100.0%

Time deposits at year-end fiscal 2007 included current and savings account linked deposits of approximately Rs. 75.92 billion, which were 3.3% of total deposits.

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

	Year ended March 31,					
	2005		2006		2007	
	Amount	Cost ⁽¹⁾	Amount	Cost	Amount	Cost
	(in billions, except percentages)					
Interest-bearing deposits:						
Savings deposits	Rs. 92.64	2.4%	Rs. 148.79	2.7%	Rs. 255.62	2.7%
Time deposits	557.75	5.4	896.42	6.1	1,446.31	7.6
Non-interest-bearing deposits						
Current account deposits	78.51	-	120.86	-	173.26	-
Total deposits	Rs. 728.90	4.5%	Rs. 1,166.07	5.0%	Rs. 1,875.18	6.2%

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

Our average deposits for fiscal 2007 were Rs. 1,875.18 billion at an average cost of 6.2% compared to average deposits of Rs. 1,166.07 billion at an average cost of 5.0% for fiscal 2006. Our average time deposits for fiscal 2007 were Rs. 1,446.31 billion at an average cost of 7.6% compared to average time deposits of Rs. 896.42 billion at an average cost of 6.1% in fiscal 2006. The average cost of deposits increased primarily due to systemic rise in interest rates in India through fiscal 2007, and especially in the last quarter of fiscal 2007.

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The following table sets forth the maturity profile of time deposits at year-end fiscal 2007.

	Upto one year	After one year and three years within	After three years	Total
Time deposits	Rs. 1,521.75	Rs. 237.70	Rs. 43.51	Rs. 1,802.96

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

	As at March 31,⁽¹⁾					
	2005		2006		2007	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in billions, except percentages)					
SLR bonds ⁽²⁾	Rs.14.82	4.8%	Rs.14.82	4.7%	Rs. 14.82	4.5%
Borrowings from Indian Government ⁽³⁾	4.69	1.5	3.58	1.1	2.56	0.8
Other borrowings ⁽⁴⁾⁽⁵⁾	289.51	93.7	296.08	94.2	308.57	94.7
Total ⁽⁵⁾	Rs. 309.02	100.0%	Rs.314.48	100.0%	Rs. 325.95	100.0%

(1) Average of quarterly balances at the end of March of the previous fiscal year and June, September, December and March of that fiscal year for each of fiscal 2005, 2006 and 2007.

(2) With an average cost of 11.6% in fiscal 2005, 11.6% in fiscal 2006 and 11.6% in fiscal 2007.

(3) With an average cost of 10.3% in fiscal 2005, 10.8% in fiscal 2006 and 11.8% in fiscal 2007.

(4) With an average cost of 9.2% in fiscal 2005, 8.9% in fiscal 2006 and 8.9% in fiscal 2007.

(5) Includes publicly and privately placed bonds, borrowings from institutions and wholesale deposits such as inter-corporate deposits, certificate of deposits, call borrowings and repo borrowings. Does not include fixed deposits.

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

	As at March 31,⁽¹⁾					
	2005		2006		2007	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in billions, except percentages)					
Commercial borrowings ⁽²⁾	Rs. 80.86	76.3 %	Rs. 150.20	86.2%	Rs. 265.82	91.8 %
Multilateral borrowings ⁽³⁾	25.08	23.7	24.03	13.8	23.74	8.2
Total	Rs. 105.94	100.0%	Rs. 174.23	100.0%	Rs. 289.56	100.0%

(1) Average of quarterly balances at the end of March of the previous fiscal year and June, September, December and March of that fiscal year for each of fiscal 2005, 2006 and 2007.

(2) With an average cost of 3.7% in fiscal 2005, 5.4% in fiscal 2006 and 6.0% in fiscal 2007.

(3) With an average cost of 3.2% in fiscal 2005, 4.0% in fiscal 2006 and 5.1% in fiscal 2007.

At year-end fiscal 2007, our outstanding subordinated debt was Rs. 194.05 billion of which Rs. 117.26 billion is classified as Tier II capital (including Upper Tier II instruments of Rs. 20.01 billion) in calculating the capital adequacy ratio. The Upper Tier II instruments of Rs. 20.01 billion exclude instruments of Rs. 32.60 billion pending clarifications sought by RBI on certain terms and conditions of these bonds. Under RBI's capital adequacy requirements, we are required to maintain a minimum ratio of capital to risk adjusted assets and off-balance sheet items of 9.0%, at least half of which must be Tier I capital. Total subordinated debt classified as Tier II capital excluding upper Tier II capital cannot exceed 50.0% of Tier I capital and upper Tier II instruments along with other categories of Tier II capital shall not exceed 100% of Tier I capital. Effective year-end fiscal 2008, the minimum required Tier I capital adequacy ratio would be 6.0%.

The following table sets forth our 25 largest borrowings at year-end fiscal 2007.

Sr. No.	Category ¹	Outstanding balance (Rs. in billion)	Interest Rate (%)	Tenor
1	Borrowing A	32.60	6.37	15 years 4 months
2	Borrowing B	28.94	4.31	2 years
3	Borrowing C	21.74	5.75	5 years
4	Borrowing D	20.00	8.80	10 years
5	Borrowing E	20.00	9.00	10 years
6	Borrowing F	17.39	5.88	5 years
7	Borrowing G	13.04	5.00	5 years
8	Borrowing H	13.04	4.75	5 years
9	Borrowing I	10.00	9.50	15 years
10	Borrowing J	8.06	6.00 – 7.25	5 years – 10 years
11	Borrowing K	6.52	6.77	15 years 4 months
12	Borrowing L	6.00	10.00	11 years
13	Borrowing M	5.53	6.00 – 7.25	5 years – 10 years
14	Borrowing N	5.22	5.55	1 year
15	Borrowing O	5.14	5.75	18 years 8 months
16	Borrowing P	5.06	7.55	10 years
17	Borrowing Q	4.35	5.88	4 years 11 months
18	Borrowing R	4.24	1.12	5 years
19	Borrowing S	4.24	0.89	6 months
20	Borrowing T	4.00	10.00	11 years
21	Borrowing U	3.37	5.80 – 7.25	5 years – 10 years
22	Borrowing V	3.26	5.78	22 years 9 months
23	Borrowing W	3.04	5.66	3 years
24	Borrowing X	2.69	12.00	20 years
25	Borrowing Y	2.50	10.00	11 years
	Total	249.96		

¹ Any tranche of a public issue or a private placement of bond is considered a single borrowing

The 25 largest borrowings at year-end fiscal 2007 constituted 35.4% of our total borrowings and unsecured redeemable debentures and bonds (including subordinated debt) at that date.

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Developmental Activities

ICICI had sought to broaden the scope of its activities by examining all sectors of the economy and by introducing new concepts, new instruments and, in some cases, new institutions in response to perceived needs. In this regard, ICICI's developmental activities encompassed such diverse areas as technology financing, science parks, rural development, vocational training and skill development for handicapped, education of the underprivileged and health care for the weaker sections of society. ICICI had also been a pioneer in setting up specialised institutions in certain key sectors, singly or jointly with other institutions, banks and governments, including Housing Development Finance Corporation Limited (HDFC), National Stock Exchange (NSE), The Credit Rating Information Services of India Limited (CRISIL), the OTC Exchange of India (OTCEI), National Commodity & Derivatives Exchange Limited (NCDEX) and Financial Information & Network Operations Limited (FINO). Further, following the enactment of the Securitisation Act, which has created a facilitative environment for resolution of distressed debt in India, we have, together with other institutions, set up the Asset Reconstruction Company (India) Limited, which has been registered with RBI as an asset reconstruction company. We have also invested in the Credit Information Bureau of India Limited which is the first national credit bureau in India. While we have varying levels of shareholding in the above mentioned entities, organisations and institutions (ranging from no equity holding to up to 30.0% equity holding) on account of our being a banking company and the development role played in establishment or setting up of such entities we are not promoters or sponsors of such entities.

Risk Management

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

We are primarily exposed to credit risk, market risk, liquidity risk, operational risk and legal risk. We have three centralized groups, the Global Risk Management Group, the Compliance Group and the Internal Audit Group with a mandate to identify, assess and monitor all of our principal risks in accordance with well-defined policies and procedures. In addition, the Credit and Treasury Middle Office Groups and the Group Operations Group monitor operational adherence to regulations, policies and internal approvals. The Global Risk Management Group, Middle Office Groups and Global Operations Group report to a wholetime Director. The Compliance Group reports to the Audit Committee of the Board of Directors and the Managing Director and CEO. The Internal Audit Group reports to the Joint Managing Director and to the Audit Committee of the Board of Directors. These groups are independent of the business units and coordinate with representatives of the business units to implement our risk management methodologies. Committees of the board of directors have been constituted to oversee the various risk management activities. The Audit Committee provides direction to and also monitors the quality of the internal audit function. The Risk Committee reviews risk management policies in relation to various risks including portfolio, liquidity, interest rate, investment policies and strategy, and regulatory and compliance issues in relation thereto. The Credit Committee reviews developments in key industrial sectors and our exposure to these sectors as well as to large borrower accounts. The Asset Liability Management Committee is responsible for managing the balance sheet and reviewing the asset-liability position to manage our liquidity and market risk exposure. For a discussion of these and other committees, see "Management" on page 158.

The Compliance Group is responsible for the regulatory and anti money laundering compliance of ICICI Bank.

Credit Risk

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

Credit Risk Assessment Procedures for Corporate Loans

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

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

We evaluate industry risk by considering:

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

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

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

Project Finance Procedures

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

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

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

Our project finance credits are generally fully secured and have full recourse to the borrower. In most cases, we have a security interest and first lien on all the fixed assets and a second lien on all the current assets of the borrower. Security interests typically include property, plant and equipment as well as other tangible assets of the borrower,

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both present and future. Our borrowers are required to maintain comprehensive insurance on their assets where we are recognized as payee in the event of loss. In some cases, we also take additional collateral in the form of corporate or personal guarantees from one or more sponsors of the project and a pledge of the sponsors' equity holding in the project company. In certain industry segments, we also take security interest in relevant project contracts such as concession agreements, off-take agreements and construction contracts as part of the security package. In limited cases, loans are also guaranteed by commercial banks and, in the past, have also been guaranteed by Indian state governments or the Government of India.

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

Corporate Finance Procedures

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

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

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

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

With respect to financing for corporate mergers and acquisitions, we carry 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

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

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

Credit Monitoring Procedures for Corporate Loans

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

Retail Loan Procedures

Our customers for retail loans are typically middle and high-income, salaried or self-employed individuals, and, in some cases, partnerships and corporations. Except for personal loans and credit cards, we require a contribution from the borrower and our loans are secured by the asset financed. Our portfolio of personal loans includes micro-banking loans, which are relatively small value loans to lower income customers in urban areas.

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

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

Our credit officers evaluate credit proposals on the basis of the product policy approved by the Retail Credit Forum and the risk assessment criteria defined by the 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, demographic parameters and certain stability factors. In case of credit cards, in order to limit the scope of individual discretion, we have implemented a credit-scoring program that is an automated credit approval system that assigns a credit score to each applicant based on certain demographic attributes like income, educational background and age. The credit score then forms the basis of loan evaluation. External agencies such as field investigation agencies and credit processing agencies are used to facilitate a comprehensive due diligence process including visits to offices and homes in the case of loans to individual borrowers. Before disbursements are made, the credit officer checks a centralized delinquent database and reviews the borrower's profile. In making our credit decisions, we draw upon reports from the Credit Information Bureau (India) Limited (CIBIL). However, CIBIL has become operational recently and does not yet provide a credit score. We also avail the services of certain private agencies operating in India to check applications before disbursement. A centralized retail credit team undertakes review and audit of credit quality and processes across different products.

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

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

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

Small Enterprises Loan Procedures

The Small Enterprises Group finances dealers and vendors of companies by implementing structures to enhance the base credit quality of the vendor / dealer. 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.

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

Rural and Agricultural Loan Procedures

The rural and agricultural loan portfolio comprises corporates in the rural sector, small and medium enterprises, dealers and vendors linked to these entities and farmers. We seek 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, we use a cluster-based approach wherein a lending program is implemented for a homogeneous group of individuals or business entities that comply with certain laid down parameterized norms. To be eligible for funding under the programs, the borrowers need to meet the stipulated credit norms and obtain a minimum score on the scoring model. We have incorporated control norms, borrower approval norms and review triggers in all the programs. We have recently undertaken a comprehensive review of our credit disbursal, monitoring and collection processes and are seeking to institute appropriate process changes.

Our rural initiative 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. 0.93 billion for losses from frauds pertaining to the warehouse receipt-based financing product for agricultural credit. In this product, financing is provided to farmers and traders on the basis of receipts for stored goods issued by warehouse owners/managers. We appoint management and collection agents to market the product. We appoint collateral management agencies to monitor the goods in the warehouses. During the course of review, irregularities were observed including absence of the required quantities of commodities in warehouses. This was due to specific fraudulent collusion between certain management and collection agents and collateral management agency staff. We have undertaken a comprehensive review of the product and have set up dedicated groups for pre- and post-disbursement commodity audits. See " Risk Factors – Risks Relating to Our Business – Our rapid retail expansion in India and our rural initiative expose us to increased risk that may adversely affect our business " on page xiii.

Credit Approval Authorities

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

Our board of directors has delegated the authority to the Credit Committee, consisting of a majority of independent directors, the Committee of Directors, consisting of our wholetime directors, the Committee of Executives (Credit), the Regional Committee (Credit), Retail Credit Forums, Small Enterprise Group Forums and Agri Credit Forums, all

consisting of our designated executives, and to individual executives in the case of program / policy based products, to approve financial assistance within certain individual and group exposure limits set by our board of directors.

The following table sets forth the composition and the approval authority of these committees / forums at May 7, 2007.

Committee / Forum	Composition	Approval Authority
Credit Committee of the Board of directors	Chaired by an independent director and consisting of a majority of independent directors.	• All approvals to borrowers (excluding proposals qualifying for priority sector norms) in the following categories: • Borrowers rated BB and below (excluding BB rated proposals for incremental exposures of upto Rs. 0.10 billion towards Cash Management Services facilities); • Borrowers rated BBB with total proposed exposure exceeding Rs. 0.50 billion, where the incremental exposure proposed exceeds 10% of existing exposure or Rs. 0.10 billion, whichever is higher; • Borrowers rated BBB with incremental exposure exceeding Rs. 1.00 billion; • Borrowers rated A-, A, A+ or AA- with total proposed exposure above Rs. 5.00 billion, where proposed incremental exposure exceeds Rs. 1.00 billion; or • Existing borrowers rated AA, AA+ or AAA with total proposed exposure above Rs. 10.0 billion, where proposed incremental exposure exceeds Rs. 2.00 billion. • Credit / investment proposals for subsidiaries / companies using "ICICI" as a part of their name. • Proposals exceeding 15% of capital funds for a single borrower (20% in case of infrastructure) and 40% of capital funds for a borrower group (50% in case of infrastructure). Such approvals by the Credit Committee shall be subject to pre-approval of the limits on the borrower / group by the Board of Directors. • Credit / investment proposal relating to a borrower rated A or below which is in default to us for a period in excess of 60 days. • Approvals to companies identified by the Credit Committee where the company or the borrower group requires close monitoring.
Committee of Directors (Lending)	Consisting of all five wholetime directors	• All approvals above the prescribed authority of lower authorities, other than specific categories of proposals that require approval of the Credit Committee. • The Committee of Directors is empowered to approve all program sanctions. Powers to

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Committee / Forum	Composition	Approval Authority
		approve individual proposals within the approved program norms has been delegated to certain individuals. These powers can be exercised either singly or jointly by such individuals subject to the limits specified in the credit authorization approved by the board of directors.
Committee of Executives (Credit)	Consisting of designated executives as members or permanent invitees, including representatives of Risk Management Group and Compliance and Audit Group.	- Approval authority linked to the rating of the borrower. Limits range between Rs. 0.40 billion for a BBB rated borrower to Rs. 5.00 billion for a AAA rated borrower. For proposals qualifying for priority sector norms and rated BB, limits up to Rs. 0.10 billion can be approved by the Committee of Executives (Credit). - Renewal proposals for working capital facilities where there is no incremental exposure proposed. - Proposals for builder financing rated BBB for exposures upto Rs. 1.00 billion subject to the delegation of powers to Credit Committee as detailed above. - Facilities secured by deposits with ICICI Bank for exposures exceeding Rs. 5.00 billion.
Regional Committee (Credit)	Consisting of designated executives as members or permanent invitees, including representatives of Risk Management Group and Compliance and Audit Group.	- Approval authority linked to the rating of the borrower. Limits range between Rs. 0.30 billion for a A rated borrower to Rs. 3.50 billion for a AAA rated borrower. Approvals to borrowers rated below A can be given only if the proposal qualifies for priority sector norms. For these borrowers with credit rating of BB to A-, limits of Rs. 50.0 million to Rs. 0.20 billion can be approved by the Regional Committee (Credit). - Renewal proposals for working capital facilities to borrowers rated A and above with upto 15% enhancement in limits (subject to a limit of Rs.0.50 billion on the incremental exposure). - Renewal proposals for working capital facilities to borrowers rated A- with upto 15% enhancement in limits (subject to total exposure on the borrower not exceeding Rs. 2.00 billion).
Small Enterprise Group Forum 1	Consisting of designated executives as members or permanent invitees, including representative of Risk Management Group.	Approval authority for individual proposals under program sanctions with varying limits for each product subject to a maximum of Rs. 0.20 billion.

Committee / Forum	Composition	Approval Authority
Small Enterprise Group Forum 2	Consisting of designated executives.	Approval authority for individual proposals under program sanctions with varying limits for each product subject to a maximum of Rs. 0.12 billion.
Small Enterprise Group Forum 3	Consisting of designated executives.	Approval authority for individual proposals under program sanctions with varying limits for each product subject to a maximum of Rs. 75.0 million.
Agri Credit Forum 1	Consisting of a Wholetime Director and designated executives as members or permanent invitees, including representative of Risk Management Group.	- Approval authority for individual proposals under program sanctions with varying limits for each product subject to a maximum of Rs. 0.30 billion. - Approval authority for approving intermediary limits under program sanctions with varying limits for each product subject to a maximum of Rs. 0.50 billion. - Approval authority for portfolio buyouts of upto Rs. 0.50 billion. - Approval authority for on-lending exposures of upto Rs. 1.00 billion through intermediaries in certain programs.
Agri Credit Forum 2	Consisting of designated executives as members or permanent invitees, including representative of Risk Management Group.	- Approval authority for individual proposals under program sanctions with varying limits for each product subject to a maximum of Rs. 0.20 billion. - Approval authority for approving intermediary limits under program sanctions with varying limits for each product subject to a maximum of Rs. 0.30 billion. - Approval authority for portfolio buyouts of upto Rs. 0.25 billion. - Approval authority for onlending exposures of upto Rs. 0.75 billion through intermediaries in certain programs.
Agri Credit Forum 3	Consisting of designated executives.	- Approval authority for individual proposals under program sanctions with varying limits for each product subject to a maximum of Rs. 0.15 billion. - Approval authority for approving intermediary limits under program sanctions with varying limits for each product subject to a maximum of Rs. 0.20 billion. - Approval authority for onlending exposures of upto Rs. 0.50 billion through intermediaries in certain programs.
Retail Credit Forum 1	Consisting of a Wholetime Director, Head – Retail Assets Product Group / Head – Card Products Group and Head - Risk Management Group.	Full approval authority for all retail loans. In respect of corporate exposures on retail products, limits up to Rs. 0.25 billion to Rs. 0.50 billion for various products like vehicle loans, dealer funding, consumer durable loans and corporate credit cards.

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Committee / Forum	Composition	Approval Authority
Retail Credit Forum 2	Consisting of designated executives including a Wholetime Director / representative of Risk Management Group.	Approval authority for all retail credit products with varying limits for each product subject to a maximum of Rs. 0.25 billion. In all cases, subject to adherence to limits on ICICI Bank's capital funds ⁽¹⁾ imposed by Reserve Bank of India as mentioned above.

- Capital funds consist of Tier 1 and Tier 2 capital, as defined in RBI regulations. See "Regulation and Policies – Reserve Bank of India Regulations – Capital Adequacy Requirements" on page 111.

All new loans must be approved by the above committees / forums in accordance with their respective powers. In respect of retail, small enterprises and agriculture based enterprises and loans against securities, powers have been delegated to individual executives subject to certain criteria and limits. Certain designated executives are also authorized to approve:

- ad-hoc/additional working capital facilities not exceeding the lower of 10.0% of existing approved facilities and Rs. 20 million;
- ad-hoc credit limits / settlement limits on foreign banks upto maximum amount of Rs.50.0 million / Rs. 0.1 billion per bank respectively;
- temporary accommodation facilities not exceeding Rs. 50 million;
- intra-day limits not exceeding Rs. 45.0 billion; and
- facilities fully secured by deposits, cash margin, letters of credit of approved banks or approved sovereign debt instruments not exceeding Rs. 5.0 billion.

Quantitative and Qualitative Disclosures About Market Risk

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

Market Risk Management Procedures

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

The Asset Liability Management Committee comprises whole time directors and executives. The committee generally meets on a monthly basis and reviews the interest rate and liquidity gap positions on the banking book, formulates a view on interest rates, sets benchmark lending rates, reviews the business profile and its impact on asset liability management and determines the asset liability management strategy in light of the current and expected business environment. The Structural Rate Risk Management Group and Global Asset Liability Management Group are responsible for managing interest rate risk and liquidity risk, under the supervision of the Asset Liability Management Committee, on a day to day basis.

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

Interest Rate Risk

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

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

Our primary source of funding is deposits and, to a smaller extent, borrowings. In the rupee market, most of our deposit taking is at fixed rates of interest for fixed periods, except for savings deposits and current deposits, which do not have any specified maturity and can be withdrawn on demand. We usually borrow for a fixed period with a one-time repayment on maturity, with some borrowings having European call/put options, exercisable only on specified dates, attached to them. However, we have a mix of floating and fixed interest rate assets. Our loans generally are repaid more gradually, with principal repayments being made over the life of the loan. Our housing loans at year-end fiscal 2007 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. Until December 31, 2003, we followed a four-tier prime rate structure, namely, a short-term prime rate for one-year loans or loans that re-price at the end of one year, a medium-term prime rate for one to three year loans, a long-term prime rate for loans with maturities greater than three years, and a prime rate for cash credit products. Effective January 1, 2004, we have moved to a single benchmark prime rate structure for all loans other than specific categories of loans advised by the Indian Banks’ Association (which include, among others, loans to individuals for acquiring residential properties, loans for purchase of consumer durables, non-priority sector personal loans and loans to individuals against shares, debentures, bonds and other securities), with lending rates comprising the benchmark prime rate, term premia and transaction-specific credit and other charges. Interest rates on loans outstanding at December 31, 2003 continue to be based on the four-tier prime rate structure. We generally seek to eliminate interest rate risk on undisbursed commitments by fixing interest rates on rupee loans at the time of loan disbursement.

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

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

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The following table sets forth our consolidated asset-liability gap position¹ at year-end fiscal 2007.

	Less than or equal to one year	Greater than one year and upto five years	Greater than five years	Total
	(in millions)			
Loans, net	Rs. 1,553,393	Rs. 466,929	Rs. 93,672	Rs. 2,113,994
Investments	519,493	265,853	420,821	1,206,167
Fixed assets	1,851	7,982	33,568	43,401
Other assets ⁽²⁾	290,738	9,541	279,506	579,785
Total assets	2,365,475	750,305	827,567	3,943,347
Shareholders' funds and preference share capital	-	-	243,150	243,150
Borrowings	397,839	205,478	13,278	616,595
Deposits	2,009,101	183,722	293,313	2,486,136
Other liabilities ⁽²⁾	48,833	23,809	524,824	597,466
Total liabilities	2,455,773	413,009	1,074,565	3,943,347
Total gap before risk management positions	(90,298)	337,296	(246,998)	-
Risk management positions ⁽³⁾	(195,196)	139,902	55,294	-
Total gap after risk management positions	Rs.(285,494)	Rs. 477,198	Rs.(191,704)	-

(1) Assets and liabilities are classified into the applicable categories based on residual maturity or re-pricing whichever is earlier. Classification methodologies are generally based on Asset Liability Management Guidelines issued by the Reserve Bank of India, effective April 1, 2000, and pre-payment assumptions applied, based on behavioural studies done. Items that neither mature nor re-price are included in the "greater than five years" category. This includes equity share capital and a substantial part of fixed assets. Impaired loans of residual maturity less than three years are classified in the "greater than one year and up to five years" category and impaired loans of residual maturity between three to five years are classified in the "greater than five years" category.

(2) The categorization for these items is different from that reported in the financial statements.

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

Price Risk (Banking book)

The following table sets forth, using the balance sheet at year-end fiscal 2007 as the base, one possible prediction of the impact of adverse changes in interest rates on consolidated net interest income for fiscal 2008, assuming a parallel shift in the yield curve.

	Change in interest rates (in basis points)			
	(100)	(50)	50	100
	(in millions, except percentages)			
Rupee portfolio	Rs. (1,128)	Rs. (564)	Rs. 564	Rs. 1,128
Foreign currency portfolio	(5)	(2)	2	5
Total	Rs. (1,133)	Rs. (566)	Rs. 566	Rs. 1,133

Based on our asset and liability position at year-end fiscal 2007, the sensitivity model shows that consolidated net interest income from the banking book for fiscal 2008 would increase by Rs. 1.13 billion if interest rates increased by 100 basis points during fiscal 2008. Conversely, the sensitivity model shows that if interest rates decreased by 100

basis points during fiscal 2008, consolidated net interest income for fiscal 2008 would decrease by an equivalent amount of Rs. 1.13 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)

The following table sets forth, using the consolidated fixed income portfolio at year-end fiscal 2007 as the base, one possible prediction of the impact of changes in interest rates on the value of our consolidated rupee fixed income trading portfolio for fiscal 2008, assuming a parallel shift in the yield curve.

	Change in interest rates (in basis points)				
	Portfolio Size	(100)	(50)	50	100
	(in millions)				
Government of India securities	5,861	229	115	(115)	(229)
Corporate debt securities	5,553	61	31	(31)	(61)
Total	11,414	290	146	(146)	(290)

At year-end fiscal 2007, the total value of our rupee fixed income trading portfolio was Rs. 11.4 billion. The sensitivity model shows that if interest rates increase by 100 basis points during fiscal 2008, the value of this portfolio would fall by Rs. 290 million. Conversely, if interest rates fell by 100 basis points during fiscal 2008, the value of this portfolio would rise by Rs. 290 million. At year-end fiscal 2006, the total value of our rupee fixed income trading portfolio was Rs. 22.7 billion. The sensitivity model showed that if interest rates increased by 100 basis points during fiscal 2007, the value of this portfolio would have fallen by Rs. 818 million. Conversely, if interest rates fell by 100 basis points during fiscal 2007, the value of this portfolio would have risen by Rs. 818 million.

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

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

ICICI Bank's available for sale investments included Rs 158.73 billion of Government of India securities held for compliance with the liquidity ratio requirements. These are not included in the trading book analysis presented above.

Price Risk (Trading Derivatives Book)

At year-end fiscal 2007, the consolidated total outstanding notional principal amount of our trading interest rate derivatives portfolio was Rs. 3,436.9 billion (Rs. 2,700.0 billion at year-end fiscal 2006). The sensitivity model shows that if interest rates increase by 100 basis points, the value of this portfolio would rise by Rs. 1.4 billion. At year-end fiscal 2007, the consolidated total outstanding notional principal amount of our trading currency derivatives (options and cross currency interest rate swaps) portfolio was Rs. 732.1 billion (Rs. 430.8 billion at year-end fiscal 2006). 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. 349 million.

Equity Risk

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

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We also invest in the corpus of equity capital/venture funds, primarily those managed by our subsidiary ICICI Venture Funds Management Company Limited. 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.

Exchange Rate Risk

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

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

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

Liquidity Risk

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

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

Most of our incremental funding requirements, including replacement of maturing liabilities of ICICI which generally had longer maturities, are met through short-term funding sources, primarily in the form of deposits including inter-bank deposits. However, a large portion of our assets, primarily the assets of ICICI and our home loan portfolio, have medium or long-term maturities, creating a potential for funding mismatches. We actively monitor our liquidity position and attempt to maintain adequate liquidity at all times to meet all requirements of all depositors and bondholders, while also meeting the requirement of lending groups. From time to time, we may buy back some of our outstanding bonds, including the securities when issued, at our discretion in the open market or in privately negotiated transactions depending on market conditions, interest rates and other factors. We seek to establish a continuous information flow and an active dialogue between the funding and borrowing divisions of the organization to enable optimal liquidity management. A separate group is responsible for liquidity management. Another source of liquidity risk is the put options written by us on the loans that we have securitized. These options are binding on us and require us to purchase, upon request of the holders, securities issued in such securitized transactions. The options seek to provide liquidity to the note holders. If exercised, we will be obligated to purchase the securities at the pre-determined exercise price. Under RBI's statutory liquidity ratio requirement, we are required to maintain 25.0% of its total demand and time liabilities by way of approved securities, such as Government of India securities and state government securities. We maintain the statutory liquidity ratio through a portfolio of Government of India securities that we actively manage to optimize the yield and benefit from price movements. Under RBI's cash reserve ratio requirements, we are currently required to maintain 6.5% of its demand and time liabilities in a current account with RBI.

We have recourse to the liquidity adjustment facility and the refinance window, which are short-term funding arrangements provided by RBI. We maintain a substantial portfolio of liquid high quality securities that may be sold on an immediate basis to meet our liquidity needs. We also have the option of managing liquidity by borrowing in the inter-bank market on a short-term basis. The overnight market, which is a significant part of the inter-bank market,

is susceptible to volatile interest rates. These interest rates on certain occasions have touched historical highs of 100.0% and above. To curtail reliance on such volatile funding, our liquidity management policy has stipulated daily limits for borrowing and lending in this market. The limit on daily borrowing is more stringent than the limit set by RBI. ICICI Securities Primary Dealership Limited, 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. We are required to submit gap analysis on a monthly basis to RBI. Pursuant to RBI guidelines, the liquidity gap (if negative) must not exceed 20.0% of outflows in the 1-14 day and the 15-28 day time category. We prepare fortnightly maturity gap analysis to review our liquidity position. Static gap analysis is also supplemented by a dynamic analysis for the short-term, to enable the liability raising units to have a fair estimate of the short-term funding requirements. In addition, we also monitor certain liquidity ratios on a fortnightly basis.

The following table sets forth, our ratings for various instruments by credit rating agencies.

Instrument	ICRA	Credit Analysis & Research Limited	CRISIL	Moody's Investor Services	Standard & Poor's	JCRA
Lower Tier II capital bonds	AAA	AAA	AAA	-	-	-
Upper Tier II debt	-	AAA	AAA	Baa2	BB	-
Tier I perpetual debt	-	AAA	AAA	Baa2	BB	-
Term deposits	AAA	AAA	AAA	-	-	-
Certificates of deposits	A1+	PR1+	-	-	-	-
Long-term foreign currency borrowings	-	-	-	Baa2	BBB-	BBB
Global local currency borrowings	-	-	-	A2/P-1	-	-
Short term foreign currency ratings	-	-	-	Ba2/ Not Prime	A-3	-

The outlook from Standard and Poor, Moody's and JCRA is stable. Any downgrade in these credit ratings, or any adverse change in these ratings relative to other banks and financial intermediaries, could adversely impact our ability to raise resources to meet our funding requirements, which in turn could adversely impact our liquidity position.

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

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes legal risk but excludes strategic and reputational risks. Operational risk includes all types of risk other than credit risk and market risk. 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 organisation including overseas offices, 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. We attempt to mitigate operational risk by maintaining a comprehensive system of internal controls, establishing systems and procedures to monitor transactions, maintaining key back-up procedures and undertaking regular contingency planning. See "Risk Factors – Risks Relating to Our Business - There is operational risk associated with our industry which, when realized, may have an adverse impact on our business" on page xxiii.

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Operational Controls and Procedures in Branches

We have operating manuals detailing the procedures for the processing of various banking transactions and the operation of the application software. Amendments to these manuals are implemented through circulars sent to all offices.

We have a scheme of delegation of financial powers that sets out the monetary limit for each employee with respect to the processing of transactions in a customer's account. Withdrawals from customer accounts are controlled by dual authorization. Senior officers have been delegated power to authorize larger withdrawals. Our operating system validates the check number and balance before permitting withdrawals. Cash transactions over Rs. 1.0 million are subject to special scrutiny to avoid money laundering. Our banking software has multiple security features to protect the integrity of applications and data.

Operational Controls and Procedures for Internet Banking

In order to open an internet banking account, the customer must provide us with documentation to prove the customer's identity, such as a copy of the customer's passport, a photograph and specimen signature of the customer. After verification of this documentation, we open the internet banking account and issue the customer a user ID and password to access his account online.

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

To improve customer service at our physical locations, we handle transaction processing centrally by taking away such operations from branches. We have centralized operations at regional processing centers located at 15 cities in the country. These regional processing centers process clearing checks and inter-branch transactions, make inter-city check collections, and engage in back-office activities for account opening, standing instructions and auto-renewal of deposits.

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

Operational Controls and Procedures in Treasury

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

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

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

The Treasury Middle Office Group uses various risk monitoring tools such as counterparty limits, position limits, exposure limits and individual dealer limits. Procedures for reporting breaches in limits are also in place. The Treasury Middle Office Group monitors counterparty limits, evaluates the mark-to-market impact on various positions taken by dealers and monitors market risk exposure of the investment portfolio and adherence to various market risk limits.

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

Operational Controls and Procedures in Retail Asset Operations

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

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

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

Operational Controls and Procedures for Corporate Banking

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

Operational Controls and Procedures in Rural Operations

A majority of our rural asset operations are centralized at Mumbai where the central operations unit is located. The central unit houses teams that support operations relating to retail rural asset products across the country. The central operations unit carries out accounting, reconciliation and repayment management activities for all rural asset products. The rural hubs manage disbursement of approved credit facilities. There are no manual issuances of disbursement cheques thus reducing any operational risk on account of manual intervention in the processes. No single team has the full authority to complete a transaction and carry out financial reconciliation. Each activity is segregated and carried out by an independent team. At the design stage of any product/process, operations units play a vital role in ensuring that all operational and other risks are identified and mitigants are designed to ensure smooth operations of the product. The operations group has roving audit managers who visit all hubs across the country for surprise audits. These audit managers monitor adherence to controls and procedures and record and report deviations to facilitate corrective action.

Anti money Laundering Controls

Our Board of directors approved a group anti-money laundering policy in January 2004, which established the standards of anti-money laundering compliance. The group anti-money laundering policy was revised in December 2004, April 2006 and in April 2007 in view of the requirements of RBI guidelines, issued from time to time. The group anti-money laundering policy is applicable to all our activities. The unique anti-money laundering regulatory requirements for overseas units are provided separately as an addendum to the group anti-money laundering policy. Our anti-money laundering standards are primarily based on two pillars, namely, know your customer and monitoring/reporting of suspicious transactions. The group anti-money laundering policy specifies a risk-based approach in implementing the anti-money laundering framework. The business units are required to undertake risk profiling of various customer segments and products, and to classify them into high, medium and low-risk categories. The anti-money laundering framework seeks to institute a process of customer identification and verification depending on the nature or status of the customer and the type of transaction. In respect of unusual or suspicious transactions or when the customer moves from a low-risk to high-risk profile, appropriate enhanced due-diligence measures are required to be adopted. The policy also requires that reports of specified cash transactions and suspicious transactions be submitted to the Financial Intelligence Unit, India (FIU-IND) constituted under the Prevention of Money Laundering Act, 2002 and the rules notified thereunder. The Audit Committee of our board of directors supervises the implementation of the anti-money laundering framework. A money laundering reporting officer has been designated to monitor the day-to-day implementation of the anti-money laundering policy and procedures. Our Committee of Directors has also approved a customer acceptance policy, which forms an integral part of the group anti money laundering policy. Further, appropriate know your customer/transaction monitoring procedures for various products and customer segments have also been laid down. Suitable training programs on awareness of anti-money laundering are organized for the

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employees on a periodic basis.

Global risk management framework

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

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

Audit

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

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

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

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

Legal and Regulatory Risk

We are involved in various litigations and are subject to a wide variety of banking and financial services laws and regulations in each of the jurisdictions in which we operate. We are also subject to a large number of regulatory and enforcement authorities in each of these jurisdictions. 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 minimise legal risk by using stringent legal documentation, employing procedures designed to ensure that transactions are properly authorised and consulting internal and external legal advisors. See "Risk factors—Risks Relating to Our Business—We are involved in various litigations and any final judgment awarding material damages against us could have a material adverse impact on our future financial performance, our shareholders' equity and the price of our securities" on page xxi and "Risk Factors—Regulatory changes or enforcement initiatives in India or any of the jurisdictions in which we operate may adversely affect our business and the price of our notes" on page xv.

Derivative Instruments Risk

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

Risk management in key subsidiaries

ICICI Securities 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 develops the risk management policies for the organization. The main objective of the group is to ensure adherence to risk management practices to mitigate the risks, primarily credit and market risks, involved in the various businesses of the company. The group continuously develops and enhances its risk management and control procedures. Further, the Risk Management Committee is responsible for analyzing and monitoring the risks associated with the different business activities of ICICI Securities Primary Dealership and ensuring adherence to the risk and investment limits approved by the board of directors.

ICICI Prudential Life Insurance is exposed to business risks arising out of the nature of products and underwriting, and market risk arising out of the investments made out of the corpus of premiums collected and the returns guaranteed to policyholders. The Risk Management and Audit Committee of its board of directors is responsible for oversight of the risk management and internal control functions. For managing investment risk, the company has a prudent investment strategy to optimize risk adjusted returns. Its asset-liability management framework is designed to cushion and mitigate the investment related risks of assets. The assets under management for the linked portfolio, in respect of which there is minimal asset-liability mismatch risk, amounts to over 85% of the policyholders' funds. As part of asset-liability management for the non-linked portfolio, ICICI Prudential Life Insurance has hedged the single premium non-participating portfolio by duration matching, rebalanced monthly. On the participating portfolio, the asset allocation strategy, which includes investments in equities, is designed to achieve the twin objectives of managing base guarantees and maximizing returns. The equity portfolio is benchmarked against a market index. In addition, there are exposure limits to companies, groups and industries. For mitigating operational risks, the management assesses and rates the various operational risks and prepares a mitigation plan. The internal audit department performs risk-based audit and reports the findings to the Audit Committee.

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

Technology

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

- Electronic and online channels to:
 - offer easy access to our products and services;
 - reduce distribution and transaction costs;
 - reach new target customers;
 - enhance existing customer relationships; and
 - reduce time to market.
- Application of information systems to:
 - manage our large scale of operations efficiently;
 - effectively market to our target customers;
 - monitor and control risks;

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- 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 its international operations.

Technology Organization

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

Banking Application Software

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

Electronic and Online Channels

We use a combination of physical and electronic delivery channels to maximize customer choice and convenience, which has helped the differentiation of our products in the marketplace. Our branch banking software is flexible and scaleable and integrates well with our electronic delivery channels. Our ATMs are sourced from some of the world's leading vendors. These ATMs work with the branch banking software. At year-end fiscal 2007, we had 3,271 ATMs across India. We were one of the first banks to offer online banking facilities to its customers. We now offer a number of online banking services to our customers for both corporate and retail products and services. Our call centers employ approximately 4,464 workstations, across locations, at Mumbai, Thane and Hyderabad, which are operational round the clock. These telephone banking call centers use an Interactive Voice Response System. The call centers are based on the latest technology and provide an integrated customer database that allows the call agents to get a complete overview of the customer's relationship with us. The database enables customer segmentation and assists the call agent in identifying cross-selling opportunities.

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

High-Speed Electronic Communications Infrastructure

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

Operations relating to Commercial Banking for Corporate Customers

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

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

Customer Relationship Management

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

Data Warehousing and Data Mining

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

Data center and disaster recovery system

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

Employees

At year-end fiscal 2007, we had 33,321 employees, of whom 18,921 employees were professionals in business management, accountancy, engineering, law, computer science or economics. Management believes that it has a good relationship with its staff.

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

We have an employee stock option scheme to encourage and retain high performing employees. Pursuant to the employee stock option scheme up to 5.0% of the aggregate of our issued equity shares at the time of grant of the stock options can be allocated under the employee stock option scheme. The stock option entitles eligible employees to apply for equity shares. The grant of stock options is approved by our board of Directors on the recommendations of the Board Governance and Remuneration Committee. The eligibility of each employee is determined based on an evaluation of the employee including employee's work performance, technical knowledge and leadership qualities. See also "Capital Structure – Notes to Capital Structure – Employee Stock Option Scheme" on page 39.

We have training centers, where various training programmes designed to meet the changing skill requirements of our employees are conducted. These training programmes 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 programmes are also conducted for developing functional as well as managerial skills. Products and operations training is also conducted through web-based training modules.

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

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Insurance

Our Registered and Corporate Offices are insured against standard fire and special perils including risk of fire, lightning, explosion / implosion, aircraft damage, riot, strike, storm, cyclone, typhoon, tempest, hurricane, tornado, flood and inundation, impact damage, subsidence and landslide, etc.

Intellectual Property

The  logo and "ICICI" are trademarks owned by ICICI Bank.

 logo and "ICICI" have further been registered in the name of ICICI Bank in India, the Benelux Countries (Belgium, Netherlands and Luxembourg), Australia, Canada and Switzerland. Applications for registration of the aforesaid marks have been filed in Philippines, Fiji, Vietnam, Qatar, Malaysia and Japan (where the mark has been cleared for registration).

In addition, we apply for registration and renewals of various service marks in relation to various products and services offered by us in the ordinary course of our business. As of date, there are various applications pending with the Trademark authorities in India and elsewhere.

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 710 branches, 45 extension counters and 3,271 ATMs at year-end fiscal 2007. These facilities are located throughout India. 45 of these facilities are located on properties owned by us, while the remaining facilities are located on leased properties. In addition to the branches, extension counters and ATMs, we have 18 controlling/administrative offices including the registered office at Vadodara and the corporate headquarters at Mumbai, 33 regional processing centers in various cities and one central processing center at Mumbai. We also have a branch each in Singapore, Dubai International Finance Centre, Sri Lanka, Hong Kong and Bahrain and one representative office each in the United States, China, United Arab Emirates, Bangladesh, South Africa, Indonesia, Thailand and Malaysia. We also provide residential and holiday home facilities to employees at subsidized rates. We have 775 apartments for our employees. We acquired over 190 branches and extension counters of the Sangli Bank Limited following its amalgamation with us effective April 19, 2007.

REGULATIONS AND POLICIES

The main legislation governing commercial banks in India is the Banking Regulation Act. Other important laws include RBI Act, the Negotiable Instruments Act and the Banker's Books Evidence Act. Additionally, RBI, 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 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 SEBI 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 RBI to carry on banking business in India. Before granting the license, RBI 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. RBI 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.

We, being licensed as a banking company are regulated and supervised by RBI. RBI requires us to furnish statements, information and certain details relating to our business. It has issued guidelines for commercial banks on recognition of income, classification of assets, valuation of investments, maintenance of capital adequacy and provisioning for non-performing assets. RBI has set up a Board for Financial Supervision, under the chairmanship of the Governor of RBI. The appointment of the auditors of banks is subject to the approval of RBI. RBI 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 RBI 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. RBI may cancel the license for violations of the conditions under which it was granted. Under the banking license granted to us by RBI, we are required to have at least 25.0% of our branches located in rural and semi-urban areas. A rural area is defined as a center with a population of less than 10,000. A semi-urban area is defined as a center with a population of greater than 10,000 but less than 100,000. These population figures relate to the 2001 census conducted by the Government of India. In September 2005, RBI 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. RBI discusses with individual banks their branch expansion strategies and plans over the medium term. The term "branch" for this purpose has been defined to also include extension counters, offsite ATMs, administrative offices and back offices. While processing authorization requests, RBI gives importance to the nature and scope of banking services particularly in under-banked areas, actual credit flow to the priority sector and efforts to promote financial inclusion, the need to induce enhanced competition in the banking sector, the bank's regulatory compliance, quality of governance, risk management and relationships with subsidiaries and affiliates.

Capital Adequacy Requirements

We are subject to the capital adequacy requirements of RBI, which, based on the guidelines of the Basel Committee on Banking Regulations and Supervisory Practices, 1998, currently require us to maintain a minimum ratio of capital to risk adjusted assets and off-balance sheet items of 9.0%, at least half of which must be Tier I capital.

The total capital of a banking company is classified into Tier I and Tier II capital. Tier I capital, the core capital, provides the most permanent and readily available support against unexpected losses. It comprises paid-up capital, reserves consisting of any statutory reserves and innovative perpetual debt instruments issued in compliance with extant regulations issued by RBI for inclusion in Tier I capital as reduced by equity investments in subsidiaries, intangible assets and losses in the current period and those brought forward from the previous period. In fiscal 2003, RBI issued a guideline requiring a bank's deferred tax asset to be treated as an intangible asset and deducted from its Tier I capital.

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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. 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.

RBI has issued guidelines permitting banks to issue perpetual debt with a call option which may be exercised after not less than 10 years, with its prior approval, for inclusion in Tier I capital up to a maximum of 15% of total Tier I capital, RBI also permitted banks to issue debt instruments with a minimum maturity of 15 years and a call option after not less than 10 years, to be exercised with its prior approval, for inclusion in Tier II capital. In July 2006, RBI issued guidelines permitting the issuance of Tier I and Tier II debt instruments denominated in foreign currencies. See also "Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital Resources" on page 294.

Risk adjusted assets and off-balance sheet items considered for determining the capital adequacy ratio are the risk weighted total of specified funded and non-funded exposures. Degrees of credit risk expressed as percentage weighting have been assigned to various balance sheet asset items and conversion factors to off-balance sheet items. The value of each item is multiplied by the relevant weight or conversion factor to produce risk-adjusted values of assets and off-balance-sheet items. Standby letters of credit and guarantees are treated as similar to funded exposure and are subject to similar risk weight. All foreign exchange open positions carry a 100.0% risk weight. Capital requirements have also been prescribed for open positions in gold. Since fiscal 2004, RBI has increased risk weights on various categories of loans. Currently residential mortgages are risk weighted at 75.0% (other than loans upto Rs 2.0 million with loan-to-values ratio below 75.0%, which are risk weighted at 50.0% from May 2007), consumer credit and capital market exposure at 125.0%, exposure to commercial real estate and venture capital funds at 150.0% and other loans/credit exposures at 100.0%. RBI issued guidelines on securitization of standard assets on February 1, 2006. The guidelines define true sale, criteria to be met by special purpose vehicles set up for securitization, policy on provision of credit enhancement facilities, liquidity facilities, underwriting facilities and provision of services. The guidelines also cover capital requirements on securitization, prudential norms for investment in securities issued by special purpose vehicles, accounting treatment of the securitization transactions and disclosure requirements. In April 2007, RBI issued prudential guidelines pursuant to which securitisation exposures, which need to be deducted from regulatory capital, 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 taken by the originator/investor.

Effective March 31, 2001, banks and financial institutions were required to assign a risk weight of 2.5% in respect of the entire investment portfolio to cover market risk, over and above the existing risk weights for credit risk in non-government and non-approved securities. In fiscal 2002, with a view to the building up of adequate reserves to guard against any possible reversal of the interest rate environment in the future due to unexpected developments, RBI advised banks to build up an investment fluctuation reserve of a minimum of 5.0% of the bank's investment portfolio within a period of five years, by fiscal 2006. This reserve had to be computed with respect to investments in held for trading and available for sale categories. Investment fluctuation reserve is included in Tier II capital. In June 2004, RBI issued guidelines on capital for market risk. The guidelines prescribe the method of computation of risk-weighted assets in respect of market risk. The aggregate risk weighted assets are required to be taken into account for determining the capital adequacy ratio. Banks were required to maintain a capital charge for market risk in respect of their trading book exposure (including derivatives) by year-end fiscal 2005 and securities included under available for sale category by year-end fiscal 2006. In October 2005, RBI specified that banks that maintain capital for both credit risk and market risk for both held for trading and available for sale categories at year-end fiscal 2006 would be permitted to treat the entire balance in the investment fluctuation reserve as Tier I capital.

In February 2005 RBI had issued draft Basel II guidelines which it further modified to issue revised draft guidelines in March 2007. In April 2007, RBI issued final guidelines for the implementation of a revised Basel-II capital adequacy framework that would be effective year-end fiscal 2008 for banks that have an international presence like us. The guidelines for the capital adequacy framework include an increase in the minimum Tier-1 CAR from 4.5% to 6.0% and, the introduction of capital for operational risk as per Basel II. Further, the risk weight for consumer credit and residential mortgages will continue to remain at 125.0% and 75.0% (risk weights for residential mortgage loans of less than Rs. 2.0 million would be 50.0%). The capital adequacy norms stipulate a capital charge on undrawn commitments. The norms also increase the risk weights for loans to domestic corporates without a solicited external

rating to 150.0% in a phased manner as compared to 100% currently. The same applies to loans to non-resident corporates (for loans greater than Rs. 100.0 million) without a rating from an international rating agency. In addition investments above 30.0% in the paid up equity of subsidiaries and associates which are not consolidated for capital purposes with us 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.

Loan Loss Provisions and Non-Performing Assets

In April 1992, RBI 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 RBI guidelines, which have been implemented with respect to our loans, debentures, lease assets, hire purchases and bills are set forth below.

RBI guidelines stipulate the criteria for determining and classifying a non-performing asset set forth below:

Asset Classification

A non-performing asset is an asset in respect of which any amount of interest or principal is overdue for more than 90 days (180 days until year-end fiscal 2003). In particular, an advance is a non-performing asset where:

- interest and/or installment of principal remains overdue for a period of more than 90 days in respect of a term loan;
- the account remains "out-of-order" (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 harvest seasons for short duration crops or for one harvest season for long duration crops; or
- any amount to be received remains overdue for a period of more than 90 days in respect of other accounts.

An account should be treated as "out-of-order" if the outstanding balance remains continuously in excess of the sanctioned drawing limit. In circumstances where the outstanding balance in the principal operating account is less than the sanctioned 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 (18 months until year-end fiscal 2004). In such cases, the current net worth of the borrower/guarantor or the current market value of the security charged is not enough to ensure recovery of dues to the banks in full. Such an asset has well-defined credit weaknesses that jeopardize the liquidation of the debt and are characterized by the distinct possibility that the bank will sustain some loss, if deficiencies are not corrected.

Doubtful Assets: Assets that are non-performing assets for more than 12 months (18 months until year-end fiscal 2004). A loan classified as doubtful has all the weaknesses inherent in assets that are classified as sub-standard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently known facts, conditions and values, highly questionable and improbable.

Loss Assets: Assets on which losses have been identified by the bank or internal or external auditors or RBI inspection but the amount has not been written off fully.

There are separate guidelines for projects under implementation which are based on the achievement of financial closure and the date of approval of the project financing.

RBI also has separate guidelines for restructured loans. A fully secured restructured standard loan can be restructured by reschedulement of principal repayment and/or the interest element, but must be separately disclosed as a restructured loan. The amount of sacrifice, if any, in the element of interest, measured in present value terms, is

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either written off or provision is made to the extent of the sacrifice involved. Similar guidelines are applicable to sub-standard assets. The sub-standard accounts which have been subjected to restructuring, whether in respect of principal installment or interest amount, by whatever modality, are eligible to be upgraded to the standard category only after the specified period, i.e., a period of one year after the date when first payment of interest or of principal, whichever is earlier, falls due, subject to satisfactory performance during the period. RBI has issued separate guidelines concerning debt-restructuring mechanisms for small and medium enterprises. RBI has issued draft guidelines on rescheduling of loans covering all categories of loans.

To put in place an institutional mechanism for the restructuring of corporate debt, RBI has devised a corporate debt restructuring system. See "The Indian Financial Sector—Recent Structural Reforms—Corporate Debt Restructuring Forum" on page 60.

Provisioning and Write-Offs

Provisions are based on guidelines specific to the classification of the assets. The following guidelines apply to the various asset classifications:

- ***Standard Assets:*** A general provision of 0.40% (0.25% upto fiscal 2005) is required (excluding direct advances to the agriculture and small and medium enterprise sectors for which the requirement continues to be 0.25%). In fiscal 2007, RBI 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 the following manner:
 - i) 0.55% by June 30, 2006;
 - ii) 0.70% by September 30, 2006;
 - iii) 0.85% by December 31, 2006; and
 - iv) 1.00% by March 31, 2007.
- In January 2007, RBI increased 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 to 2.0%.
- ***Sub-Standard Assets:*** A general provision of 10.0% of the total outstanding is required. However, unsecured exposures which are identified as substandard attract an additional provision of 10.0%, i.e., a total of 20.0% on the outstanding balance.
- ***Doubtful Assets:*** A 100.0% write-off is required to be taken against the unsecured portion of the doubtful asset and charged against income. The value assigned to the collateral securing a loan is the amount reflected on the borrower's books or the realizable value determined by third party appraisers. 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% provision for assets classified as doubtful for more than three years.
- ***Loss Assets:*** The entire asset is required to be written off or provided for, i.e., a 100.0% provision.
- ***Restructured Loans:*** The amount of sacrifice, if any, in the element of interest, measured in present value terms, is either written off or provision is made to the extent of the sacrifice involved.

In June 2006, RBI issued prudential norms on creation and utilization of floating provisions (i.e., provisions which are not made in respect of specific non-performing assets or are made in excess of regulatory requirements for provisions for standard assets). The norms state that floating provisions can be used only for contingencies under extraordinary circumstances for making specific provisions in impaired accounts after obtaining approval from the Board of Directors and with the prior permission of RBI. In March 2007, RBI issued a guideline stating that extra-ordinary circumstances refer to losses which do not arise in the normal course of business and are exceptional and non-recurring in nature. The extra-ordinary circumstances have been broadly classified into three categories, namely General, Market and Credit. General category includes situations where a bank is put unexpectedly to loss due to events such as civil unrest or collapse of currency in a country. Natural calamities and pandemics may also be included in the General category. Market category would include events such as a general melt down in the markets, which affects the entire

financial system. Among the Credit category only exceptional credit losses would be considered as an extra-ordinary circumstance. Floating provisions for advances and investments would be held separately and cannot be reversed by credit to the profit and loss account. Until utilization of such provisions, they can be netted off from gross non-performing assets to arrive at disclosure of net non-performing assets. Alternatively, floating provisions can be treated as part of Tier II capital within the overall ceiling of 1.25% of total risk-weighted assets. Floating provisions do not include specific voluntary provisions made by banks for advances which are higher than the minimum provision stipulated by RBI guidelines.

Regulations relating to Making Loans

The provisions of the Banking Regulation Act govern the making of loans by banks in India. RBI issues directions covering the loan activities of banks. Some of the major guidelines of RBI, which are now in effect, are as follows:

- RBI has prescribed norms for bank lending to non-bank financial companies and financing of public sector disinvestment.
- Banks are free to determine their own lending rates but each bank must declare its prime lending rate as approved by its Board of Directors. Banks are required to declare a benchmark prime lending rate based on various parameters including cost of funds, non-interest expense, capital charge and profit margin. Each bank should also indicate the maximum spread over the prime lending rate for all credit exposures other than retail loans. The interest charged by banks on advances up to Rs. 200,000 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 RBI.
- Section 21A of the Banking Regulation Act under section 21A 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, RBI 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. The Banking Regulation Act provides for protection to banks for interest rates charged by them.

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 RBI 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, RBI 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. RBI has also permitted banks to extend financial assistance to Indian companies for acquisition of equity in overseas joint ventures or wholly owned subsidiaries or in other overseas companies, new or existing, as strategic investment. Banks are not permitted to finance acquisitions by companies in India.

Regulations relating to Sale of Assets to Asset Reconstruction Companies

The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, as amended, provides for sale of financial assets by banks and financial institutions to asset reconstruction companies. RBI 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

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loans to the borrower are classified as non-performing and at least 75.0% by value of the banks and financial institutions in the consortium or multiple banking arrangement agree to the sale. The banks selling financial assets should ensure that there is no known liability devolving on them and that they do not assume any operational, legal or any other type of risks relating to the financial assets sold. Further, banks may not sell financial assets at a contingent price with an agreement to bear a part of the shortfall on ultimate realization. However, banks may sell specific financial assets with an agreement to share in any surplus realized by the asset reconstruction company in the future. While each bank is required to make its own assessment of the value offered in the sale before accepting or rejecting an offer for purchase of financial assets by an asset reconstruction company, in consortium or multiple banking arrangements where more than 75.0% by value of the banks or financial institutions accept the offer, the remaining banks or financial institutions are obliged to accept the offer. Consideration for the sale may be in the form of cash, bonds or debentures or security receipts or pass through certificates issued by the asset reconstruction company or trusts set up by it to acquire the financial assets. See also "The Indian Financial Sector—Recent Structural Reforms—Legislative Framework for Recovery of Debts Due to Banks" on page 59.

Guidelines on Sale and Purchase of Non-performing Assets

In July 2005, RBI issued guidelines on sales and purchases of non-performing assets between banks, financial institutions and non-bank finance companies. These guidelines require that the Board of Directors of the bank must establish a policy for purchases and sales of non-performing assets. Purchases and sales of non-performing assets must be without recourse to the seller and on a cash basis, with the entire consideration being paid upfront. An asset must have been classified as non-performing for at least two years by the seller to be eligible for sale. The purchasing bank must hold the non-performing asset on its books for at least 15 months before it can sell the asset to another bank. The asset cannot be sold back to the original seller.

Directed Lending

Priority Sector Lending

Till fiscal 2007 RBI'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, RBI issued revised guidelines on lending to the priority sector. RBI 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 recapitalisation bonds floated by the Government) or credit equivalent amount of off-balance sheet exposure, whichever is higher. 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.2.0 million per borrower. The guidelines have capped eligible direct agriculture finance to non-individuals (i.e. partnership firms, corporates and institutions) at Rs 10.0 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 May 2007 RBI 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 addition, fresh investments made by banks with 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 subsequent to end fiscal 2007. However, the existing investments in such bonds would continue to be classified as indirect agriculture finance till 2010.

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 RBI'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 till 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 upto seven years.

Export Credit

RBI 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. 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, RBI 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 RBI are as follows:

- The exposure ceiling for a single borrower is 15.0% of capital funds and group exposure limit is 40.0% of capital funds. In case of financing for infrastructure projects, the exposure limit to a single borrower is extendable by another 5.0%, i.e., up to 20.0% of capital funds and the group exposure limit is extendable by another 10.0%, i.e., up to 50.0% of capital funds. Banks may, in exceptional circumstances, with the approval of their Board of Directors, consider enhancement of the exposure to a borrower up to a maximum of further 5.0% of capital funds, subject to the borrower consenting to the banks making appropriate disclosures in their annual reports.
- Capital funds is the total capital as defined under capital adequacy norms (Tier I and Tier II capital).
- 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, RBI 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 Finance Companies

On December 12, 2006, RBI 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. 1.00 billion as per the last audited balance sheet as systemically important. These non-banking financial companies are required to maintain a minimum capital to risk weighted assets ratio of 10.0%, in addition to conforming with single and group exposure norms. The guidelines restrict banks' holding in a deposit taking non-banking financial company, excluding housing finance companies, to 10.0% of the paid up equity capital of the entity. The total exposure to a single non-banking financial company has been limited to 10.0% of the bank's capital fund while exposure to a non-banking asset finance company has been restricted to 15.0% of the bank's capital fund. The limit may be increased to 15.0% and 20.0% respectively provided that the excess exposure is on account of funds lent by the non-banking finance company to infrastructure sectors.

Regulations relating to Investments and Capital Market Exposure Limits

Pursuant to RBI 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 standalone 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 November 2003, RBI 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%

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of its total investment in non-Statutory Liquidity Ratio securities as at the end of the preceding fiscal year with a sub-ceiling of 5.0% for investments in bonds of public sector undertakings. These guidelines do not apply to investments in security receipts issued by securitization or reconstruction companies registered with RBI 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.

RBI 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, RBI 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 RBI with a roadmap for reduction of the exposure.

Consolidated Supervision Guidelines

In fiscal 2003, RBI 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 RBI, consolidated prudential returns reporting their compliance with various prudential norms on a consolidated basis, excluding insurance subsidiaries. Compliance on a consolidated basis is required in respect of the following main prudential norms:

- Single borrower exposure limit of 15.0% of capital funds (20.0% of capital funds provided the additional exposure of up to 5.0% is for the purpose of financing infrastructure projects);
- Borrower group exposure limit of 40.0% of capital funds (50.0% of capital funds provided the additional exposure of up to 10.0% is for the purpose of financing infrastructure projects);
- Deduction from Tier I capital of the bank, of any shortfall in capital adequacy of a subsidiary for which capital adequacy norms are specified; and
- Consolidated capital market exposure limit of 2.0% of consolidated total assets and 10.0% of consolidated net worth.

At year-end fiscal 2007 we were in compliance with these guidelines, except for the consolidated capital market exposure limits. We had informed RBI and submitted to RBI that the limit of 2.0% of consolidated total assets and 10.0% of consolidated net worth effectively reduces the standalone capital market exposure limit of 5.0% of advances and 20.0% of net worth. Effective April 1, 2007 RBI has revised norms for capital market exposure. As per the new guidelines, consolidated capital market exposure by way of investment in shares, convertible debentures, and units of equity oriented mutual funds and loans to brokers should not exceed 40.0% of consolidated net worth. Within this limit direct investment in shares, convertible bonds/debentures, units of equity oriented mutual funds and all exposures to ventures capital funds have been restricted to 20.0% of consolidated net worth. See also "—Credit Exposure Limits on page 117".

In June 2004, RBI 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 RBI, 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. RBI has identified us and our related entities as a financial conglomerate with ICICI Bank as the designated entity responsible for reporting to RBI.

Banks' Investment Classification and Valuation Norms

The key features of RBI guidelines on categorization and valuation of banks' investment portfolio are given below.

- The entire investment portfolio is required to be classified under three categories: (a) held to maturity, (b) held for trading and (c) available for sale. Held to maturity includes securities acquired with the intention of being held up to maturity; held for trading includes securities acquired with the intention of being traded to take advantage of the short-term price/interest rate movements; and available for sale includes securities not included in held to maturity and held for trading. Banks should decide the category of investment at the time of acquisition.
- Held to maturity investments compulsorily include (a) recapitalization bonds received from the Government of India towards their re-capitalization requirement and held in their investment portfolio, (b) investments in subsidiaries and joint ventures and (c) investments in debentures deemed as advance. Held to maturity investments also include any other investment identified for inclusion in this category subject to the condition that such investments cannot exceed 25.0% of the total investment excluding recapitalization bonds and debentures.
- Profit on the sale of investments in the held to maturity category, net of tax and statutory reserve, is appropriated to the capital reserve account after being taken in the income statement. Loss on any sale is recognized in the income statement.
- The market price of the security available from the stock exchange, the price of securities in subsidiary general ledger transactions, RBI price list or prices declared by Primary Dealers Association of India jointly with the Fixed Income Money Market and Derivatives Association of India serves as the "market value" for investments in available for sale and held for trading securities.
- Investments under the held for trading category should be sold within 90 days; in the event of inability to sell due to adverse factors including tight liquidity, extreme volatility or a unidirectional movement in the market, the unsold securities should be shifted to the available for sale category.
- Profit or loss on the sale of investments in both held for trading and available for sale categories is taken in the income statement.
- Shifting of investments from or to held to maturity may be done with the approval of the Board of Directors once a year, normally at the beginning of the accounting year; shifting of investments from available for sale to held for trading may be done with the approval of the Board of Directors, the Asset Liability Management Committee or the Investment Committee; shifting from held for trading to available for sale is generally not permitted.

In September 2004, RBI 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, RBI 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. RBI 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 are not marked to market and are carried at acquisition cost or at an amortized cost if acquired at a premium over the face value.

Available for sale and held for trading securities are valued at market or fair value as at the balance sheet date. Depreciation or appreciation for each basket within the available for sale and held for trading categories is aggregated.

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Net appreciation in each basket, if any, that is not realized is ignored, while net depreciation is provided for.

Investments in security receipts or pass through certificates issued by asset reconstruction companies or trusts set up by asset reconstruction companies should be valued at the net asset value announced periodically by the asset reconstruction company based on the valuation of the underlying assets.

RBI has recently issued draft revised guidelines on investment classification, valuation and accounting which have not yet been finalized.

Limit on Transactions through Individual Brokers

Guidelines issued by RBI require banks to empanel brokers for transactions in securities. These guidelines also require that a disproportionate part of the bank's business should not be transacted only through one broker or a few brokers. RBI specifies that not more than 5.0% of the total transactions through empanelled brokers can be transacted through one broker. If for any reason this limit is breached, RBI has stipulated that the Board of Directors of the bank concerned should ratify such action.

Prohibition on Short-Selling

RBI does not permit short selling of securities by banks excluding intra-day short selling in Central Government securities. RBI 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 RBI. Each security is deliverable or receivable on a net basis for a particular settlement cycle.

In February 2006, RBI 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, RBI proposed to introduce a 'when issued' market in government securities in order to further strengthen the debt management framework. In January 2007 RBI permitted Scheduled Commercial Banks and Primary Dealers (PDs) to undertake short sale of Central Government dated securities, subject to the short position being covered within a maximum period of 5 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.

Subsidiaries and Other Financial Sector Investments

We need the prior permission of RBI to incorporate a subsidiary. We are required to maintain an "arms' length" relationship with our subsidiaries and with mutual funds sponsored by us in regard to business parameters such as taking undue advantage in borrowing/lending funds, transferring/selling/buying of securities at rates other than market rates, giving special consideration for securities transactions, in supporting/financing the subsidiary and financing our Bank's clients through them when the bank is not able or not permitted to do so itself. We have to observe the prudential norms stipulated by RBI, 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 RBI 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 Bank's aggregate investments in all such companies, financial institutions, stock and other exchanges put together cannot exceed 20.0% of its paid-up capital and reserves. In August 2006, RBI 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.

Regulations relating to Deposits

RBI has permitted banks to independently determine rates of interest offered on term deposits. However, banks are not permitted to pay interest on current account deposits. Further, banks may only pay interest of up to 3.5% per annum on savings deposits. In respect of savings and time deposits accepted from employees, we are permitted by RBI to pay an additional interest of 1.0% over the interest payable on deposits from the public.

Domestic time deposits have a minimum maturity of seven days. Time deposits from non-resident Indians denominated in foreign currency have a minimum maturity of one year and a maximum maturity of three years.

Starting April 1998, RBI 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.1.5 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. Till fiscal end 2007 interest rates on non-resident rupee term deposits of one to three years maturity were not permitted to exceed the LIBOR/SWAP rates 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 RBI 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.

Regulations relating to Knowing the Customer and Anti-Money Laundering

RBI issued a notification dated November 29, 2004 prescribing guidelines for Know Your Customer and anti money laundering procedures. Banks are required to have a customer acceptance policy laying down explicit criteria for acceptance of customers and defining risk parameters. A profile of the customers should be prepared based on risk categorization. Banks have been advised to apply enhanced due diligence for high-risk customers. The guidelines provide that banks should undertake customer identification procedures while establishing a banking relationship or carrying out a financial transaction or when the bank has a doubt about the authenticity or the adequacy of the previously obtained customer identification data. Banks need to obtain sufficient information necessary to establish the identity of each new customer and the purpose of the intended banking relationship. The guidelines also provide that banks should monitor transactions depending on the account's risk sensitivity. In February 2006, RBI issued guidelines on the obligations of banks under the Prevention of Money Laundering Act, 2002. RBI also issued anti money laundering guidelines to other entities such as non-bank finance companies and authorized money changers.

In August 2005, RBI has simplified the KYC 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 KYC guidelines do not result in the denial of the banking services to those who are financially or socially disadvantaged.

The Indian Parliament had enacted the Prevention of Money Laundering Act in 2002. Effective July 1, 2005, the provisions of this Act have come into force. The Act seeks to prevent money laundering and to provide for confiscation of property derived from, or involved in, money laundering. In addition, the applicable exchange control regulations prescribe reporting mechanisms for transactions in foreign exchange and require authorized dealers to report identified suspicious transactions to RBI. 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, RBI's regulations for asset liability management require banks to draw up asset-liability gap statements separately for rupee and for four major foreign currencies. These gap statements are prepared by scheduling all assets and liabilities according to the stated and anticipated re-pricing date, or maturity date. These statements have to be submitted to RBI on a quarterly basis. RBI has advised banks to actively monitor the difference in the amount of assets and liabilities maturing or being re-priced in a particular period and place internal prudential limits on the gaps in each time period, as a risk control mechanism. Additionally, RBI 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, RBI has directed banks to lay down internal norms in respect of negative liquidity gaps. In April 2006, RBI issued draft guidelines on improvements to banks' asset liability management framework.

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In March 2007, RBI issued guidelines regarding prudential limits for interbank liabilities. Interbank 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 upto 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. RBI guidelines also stipulate that existing limits on call-money borrowing shall form a sub-limit of the above-mentioned limit.

Foreign Currency Dealership

RBI 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 our normal functions authorized under our 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 RBI permitted banks and primary dealers to begin transactions in single-entity credit default swaps. However, guidelines regarding these transactions are yet to be issued. Further in April 2007 RBI published comprehensive guidelines on derivatives.

Our foreign exchange operations are subject to the guidelines specified by RBI 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 RBI's guidelines and these limits are approved by RBI.

Ownership Restrictions

The Government of India regulates foreign ownership in Indian banks. The total foreign ownership in a private sector bank, like ICICI Bank, cannot exceed 74.0% of the paid-up capital and shares held by foreign institutional investors under portfolio investment schemes through stock exchanges cannot exceed 49.0% of the paid-up capital.

RBI's acknowledgement is required for the acquisition or transfer of a bank's shares which will take the aggregate holding (both direct and indirect, beneficial or otherwise) of an individual or a group to the equivalent of 5.0% or more of its total paid up capital. RBI, 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, RBI 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, RBI 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, RBI 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, RBI 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 RBI'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;
- RBI may permit a higher level of shareholding in case of restructuring of problem banks or weak banks or in the interest of consolidation in the banking industry;
- Banks would be responsible for compliance with the "fit and proper" criteria for shareholders on an ongoing basis; and
- Banks where shareholders holdings are in excess of the prescribed limit would have to indicate a plan for compliance.

RBI 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 provides that prior approval of RBI shall be mandatory for the acquisition of more than 5.0% of a banking company's paid up capital or voting rights by any individual or firm or group.

Restrictions on Payment of Dividends

In May 2005, RBI issued guidelines stating that a bank may declare dividends only if all of the following conditions are met:

- Capital adequacy ratio is at least 9.0% for the preceding two completed years and the accounting year for which our Bank proposes to declare a dividend.
- Net non-performing asset ratio is less than 7.0%.
- We are in compliance with the prevailing regulations and guidelines issued by RBI, 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.
- RBI has not placed any explicit restrictions on us for declaration of dividends.
- We are in compliance with sections 15 and 17 of the Banking Regulation Act that require banks to completely write off capitalized expenses and transfer 20.0% of the disclosed yearly profit to a reserve account before declaring a dividend.

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In case we do not meet the capital adequacy norms for two consecutive years, but have a capital adequacy ratio of at least 9.0% for the accounting year for which we propose to declare a dividend, we would be eligible to do so if our net non-performing asset ratio is less than 5.0%.

Banks that are eligible to declare dividends under the above rules can do so subject to the following:

- The dividend payout ratio (calculated as a percentage of dividend payable in a year to net profit during the year) must not exceed 40.0%. The maximum permissible dividend payout ratio would vary from bank to bank, depending on the capital adequacy ratio in each of the last three years and the net non-performing asset ratio.
- In case the profit for the relevant period includes any extraordinary income, the payout ratio must be calculated after excluding that income for compliance with the prudential payout ratio.
- The financial statements pertaining to the financial year for which the bank is declaring a dividend should be free of any qualification by the statutory auditors, which might have an adverse effect on the profit during that year. In case there are any such qualifications, the net profit should be suitably adjusted while computing the dividend payout ratio.

Moratorium, Reconstruction & Amalgamation of Banks

RBI can apply to the Government of India for suspension of business by a banking company. The Government of India after considering the application of RBI 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, RBI 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, RBI invites suggestions and objections on the draft scheme prior to placing the scheme before the Government of India for its sanction. The Central Government may sanction the scheme with or without modifications. The law does not require consent of the shareholders or creditors of such banks.

Regulations on Mergers of Private Sector Banks and Banks and Non-banking Finance Companies

In May 2005, RBI issued guidelines to facilitate mergers between private sector banks and between banks and non-banking finance companies. The guidelines particularly emphasize the examination of the rationale for amalgamation, the systemic benefits arising from it and the advantages accruing to the merged entity. With respect to a merger between two private sector banks, the guidelines require the draft scheme of amalgamation to be approved by the shareholders of both banks with a two-thirds majority after approval by the boards of directors of the two banks concerned. The draft scheme should also consider the impact of amalgamation on the valuation, profitability and capital adequacy ratio of the amalgamating bank and verify that the reconstituted board conforms to RBI norms. The approved scheme needs to be submitted to RBI for sanction in accordance with the Banking Regulation Act, along with other documentation such as the draft document of proposed merger, copies of all relevant notices and certificates, swap ratio, share prices, etc. With respect to a merger of a bank and a non-banking company, the guidelines specify that the non-banking finance company has to comply with Know Your Customer norms for all accounts and all relevant norms issued by RBI and the Securities and Exchange Board of India. Banks / non-banking finance companies should also conform to insider trading norms issued by SEBI, whether they are 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 RBI specifies may access such disclosed credit information.

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 RBI. 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 certain pre-defined rules using a risk-based approach. The transaction monitoring system of the bank 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.

RBI issued guidelines on External Commercial Borrowings via its Master Circular in July 2005, which stated that no financial intermediary, including banks, will be permitted to raise such borrowings or provide guarantees in favor of overseas lenders for such borrowings. Eligible borrowers may raise such borrowings to finance the import of equipment and to meet foreign exchange needs of infrastructure projects. In a guideline dated August 1, 2005 RBI 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 RBI 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 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, RBI constituted a Committee to set out a roadmap towards fuller capital account convertibility. The Committee has submitted its report in July 2006.

In October 2006, RBI permitted banks to borrow funds from their overseas branches and correspondent banks (including borrowings for financing export credit, ECBs and overdrafts from their Head Office/Nostro account) up to a limit of 50.0% of unimpaired Tier I capital or US\$ 10.0 million, whichever is higher, as against the earlier overall limit of 25.0% (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%. Capital funds raised by issue of innovative perpetual debt instruments and other overseas borrowings with the specific approval of the Reserve Bank would continue to be outside the limit of 50.0%. In April 2007 RBI issued a circular deferring the implementation of the above guidelines till further notice.

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 RBI. Following the enactment of RBI (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 RBI and other institutions permitted to offer refinancing to banks; and
- perpetual debt qualifying for lower Tier I capital treatment.

The cash reserve ratio is 6.5% effective April 28, 2007. Further, effective April 13, 2007 RBI 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.

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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 RBI from time to time, and it can be a minimum of 25.0% and a maximum of 40.0% pursuant to section 24 of the Banking Regulation Act. At present, RBI requires banking companies to maintain a liquidity ratio of 25.0%. The Banking Regulation (Amendment) Bill, 2005 introduced in the Indian Parliament proposes to amend section 24 of the Banking Regulation Act to remove the minimum Statutory Liquidity Ratio stipulation, thereby giving RBI the freedom to fix the Statutory Liquidity Ratio below this level. See also "The Indian Financial Sector—Recent Structural Reforms—Proposed Amendments to the Banking Regulation Act" on page 59.

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

According to Section 17 of the Banking Regulation Act, a bank is required to create a reserve fund and transfer at least 20.0% of its disclosed profits to that account. In September 2000, RBI issued a circular increasing the amount transferable to the reserve fund from 20.0% to 25.0% of the disclosed profits of each year before dividends. If there is an appropriation from this account, the bank is required to report the same to RBI within 21 days, explaining the circumstances leading to such appropriation. The Government of India may, on the recommendation of RBI, exempt a bank from requirements relating to its reserve fund. In 2006, RBI issued a circular advising banks that all expenses including provisions and write-offs recognized in a period, whether mandatory or prudential, should be reflected in the profit and loss account for the period before the net profit is arrived at. Further, banks also need to ensure that suitable disclosures are made in the "Notes on accounts" to the balance sheet whenever a draw down of reserves occurs.

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 RBI. We have been exempted from this provision in respect of expenses relating to the Early Retirement Option offered by us in fiscal 2004. We have obtained permission from RBI to write off these expenses over a five-year period in our Indian GAAP accounts. Further, the payment of the dividend by banks is subject to the eligibility criteria specified by RBI from time to time.

Restriction on Share Capital and Voting Rights

Banks can issue only ordinary shares. The Banking Regulation Act specifies that no shareholder in a banking company can exercise voting rights on poll in excess of 10.0% of total voting rights of all the shareholders of the banking company.

Only banks incorporated before January 15, 1937 can issue preference shares. Prior to the amalgamation, ICICI had preference share capital of Rs. 3.5 billion redeemable in 2018. The Government of India, on the recommendation of RBI, had granted an exemption to ICICI Bank which allows the inclusion of preference capital in the capital structure of ICICI Bank for a period of five years. We have sought extension of this exemption.

A legislation has been introduced in the 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 "The Indian Financial Sector—Recent Structural Reforms—Proposed Amendments to the Banking Regulation Act" on page 59.

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

RBI is empowered under the Banking Regulation Act to inspect a bank. RBI monitors prudential parameters at quarterly intervals. To this end and to enable off-site monitoring and surveillance by RBI, banks are required to report to RBI 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.

RBI also conducts periodical on-site inspections on matters relating to the bank's portfolio, risk management systems, internal controls, credit allocation and regulatory compliance, at intervals ranging from one to three years. We have been and, at present are, subject to the on-site inspection by RBI 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 RBI. RBI also discusses the report with the management team including the Managing Director & CEO.

RBI 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 RBI before we appoint our Chairman and Managing Director and any other wholetime Directors and fix their remuneration. RBI is empowered to remove an appointee to the posts of chairman, managing director and wholetime directors on the grounds of public interest, interest of depositors or to ensure the proper management of our Bank. Further, RBI 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 the shareholders to elect new directors. We cannot appoint as a director any person who is a director of another banking company. In July 2004, RBI issued guidelines on 'fit and proper' criteria for directors of banks.

Penalties

RBI 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 RBI 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.

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 RBI 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 RBI is required for creating floating charge on our undertaking or property. Currently, all 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

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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 RBI also provide for certain records to be maintained for a minimum period of five years.

Secrecy Obligations

Our obligations relating to maintaining secrecy arise out of common law principles governing its relationship with its 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 our 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. RBI may, in the public interest, publish the information obtained from the bank. Under the provisions of the Banker's Books Evidence Act, a copy of any entry in a bankers' book, such as ledgers, day books, cash books and account books certified by an officer of the bank may be treated as prima facie evidence of the transaction in any legal proceedings.

Regulations governing Offshore Banking Units

The Government and RBI 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.
- RBI 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 RBI in respect of overseas branches of Indian banks as well as within the overall risk management and asset and liability management framework of the bank subject to monitoring by the bank's Board of Directors at prescribed intervals. Further, the bank's board would be required to set comprehensive overnight limits for each currency for these branches, which would be separate from the open position limit of the parent bank.
- Offshore banking units may raise funds in convertible foreign currency as deposits and borrowings from non-residents including non-resident Indians but excluding overseas corporate bodies.
- Offshore banking units may operate and maintain balance sheets only in foreign currency.
- The loans and advances of Offshore Banking Units would not be reckoned as net bank credit for computing priority sector lending obligations.
- Offshore banking units must follow the Know Your Customer guidelines and must be able to establish the identity and address of the participants in a transaction, the legal capacity of the participants and the identity of the beneficial owner of the funds.

The Special Economic Zone Act 2005 permitted Offshore Banking Units to additionally undertake the following activities:

- Lend outside India and take part in international syndications/consortiums at par with foreign offices.
- Invest in foreign currency denominated debt of Indian units.

- Extend facilities to subsidiaries/units of Indian entities, located outside India.

Regulations and Guidelines of the Securities and Exchange Board of India

The Securities and Exchange Board of India was established to protect the interests of public investors in securities and to promote the development of, and to regulate, the Indian securities market. We and our subsidiaries and affiliates are subject to the Securities and Exchange Board of India regulations for our public capital issuances, as well as our underwriting, custodial, depository participant, investment banking, registrar and transfer agents, 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 BIFR.
- The Securitization Act focuses on improving the rights of banks and financial institutions and other specified secured creditors as well as asset reconstruction companies by providing that such secured creditors can take over management control of a borrower company upon default and/or sell assets without the intervention of courts, in accordance with the provisions of the Securitization Act.

Income Tax Benefits

As a banking company, we are entitled to certain tax benefits under the Indian Income Tax Act including the following:

- We are allowed a deduction of up to 40.0% of our taxable business income derived from the business of long-term financing (defined as loans and advances extended for a period of not less than five years) which is transferred to a special reserve, provided that the total amount of this reserve does not exceed two times the paid-up share capital and general reserves. We are entitled to this benefit because we are a financial corporation. Effective fiscal 1998, if a special reserve is created, it must be maintained and if it is utilized, it is treated as taxable income in the year in which it is utilized. In the Union Budget for fiscal 2008 the Government has proposed to reduce the above mentioned deduction limit to 20.0% of our taxable business income.
- 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% for a period of five consecutive years beginning with the year in which permission under Banking Regulation Act, 1949 is obtained, i.e., up to March 31, 2008 for OBU in SEEPZ, Mumbai and 50% deduction for a period of five consecutive years thereafter in accordance with and subject to the conditions prescribed therein.
- Subject to application for and receipt of certain approvals, 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.

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- 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.

Regulations governing International Operations

Our international operations are governed by regulations in the countries in which our Bank has a presence.

Overseas Banking Subsidiaries

Our wholly-owned subsidiary in the United Kingdom, ICICI Bank UK Plc is authorized and regulated by the Financial Services Authority (FSA), which granted our 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 has also recently obtained necessary authorizations to open a branch in Frankfurt, Germany. 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. Our wholly-owned subsidiary in Russia, ICICI Bank Eurasia LLC, is regulated by the Central Bank of the Russian Federation.

Offshore Branches

In Singapore, we have an offshore branch, regulated by the Monetary Authority of Singapore. The Singapore branch is allowed to accept foreign currency deposits from Singapore non-bank-residents whose initial deposit is not less than US\$ 100,000. The Singapore branch is currently engaged in corporate & institutional banking, private banking and treasury related activities. In Bahrain, we have an offshore branch, regulated by the Central Bank of Bahrain. The Bahrain branch is permitted to transact banking business with approved financial institutions within Bahrain, individuals or institutions outside Bahrain. It is also permitted to offer banking services to non-resident Indians in Bahrain. Our 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 Centre (DIFC) is regulated by the DIFC Financial Services Authority and is licensed to engage in the arrangement of credit or investment and to provide advice on financial products and services. We have received approval from RBI and the Qatar Financial Centre Regulatory Authority to establish a branch in the Qatar Financial Centre. The branch is expected to commence operations shortly.

Representative Offices

Our representative office in New York in the United States is licensed and regulated by the State of New York Banking Department and the Federal Reserve Board. Our representative office in Dubai, United Arab Emirates is regulated by the Central Bank of the United Arab Emirates. Our representative office in Shanghai, China is regulated by the China Banking Regulatory Commission. 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 Bank's representative office in Thailand.

In addition, we are regulated by the relevant authorities like Securities Exchange Commission of United States, the Singapore Stock Exchange, etc. in relation to securities offerings made by us in those jurisdictions.

CERTAIN CORPORATE MATTERS

Our Main Objects

Our main objects as contained in our Memorandum of Association are:

1. To establish and carry on business of banking in any part of India or outside India.
2. To carry on the business of accepting, for the purpose of lending or investment, of deposits of money repayable on demand or otherwise and withdrawable by cheque, draft, order or otherwise.
3. To borrow, raise or take up money, lend or advance money with or without interest either upon or without security.
4. To draw, make, execute, issue, endorse, negotiate, accept, discount, buy, sell, collect and deal in bills of exchange, hundies, promissory notes, coupons, drafts, bills of lading, railway receipts, warrants, debentures, bonds, mortgage-backed securities, letters of credit or obligations, certificates, scrips and other instruments and securities whether transferable or negotiable or mercantile or not.
5. To grant and issue letters of credit, traveller's cheques and circular notes, buy, sell and deal in bullion and specie.
6. To receive all kinds of bonds, scrips or valuables on deposit or for safe custody or otherwise, provide safe deposit vaults, collect and transmit money, negotiable instruments and all securities.
7. To buy, acquire, issue on commission, deal, sell, dispose of, exchange, convert, underwrite, subscribe, participate, invest in and hold whether on its own account or on behalf of any person, body corporate, company, society, firm or association of persons whether incorporated or not, shares, stocks, funds, debentures, debenture stocks, units, promissory notes, bills of exchange, bonds, warrants, participation certificates or participation units, other money market or capital market instruments, obligations and securities and investments of all kinds issued or guaranteed by any government, state, dominion, sovereign body, commission, public body or authority, supreme, local or municipal or company or body, whether incorporated or not or by any person or association.
- 7A. To securitise, purchase, acquire, invest in, transfer, sell, dispose of or trade in any financial asset whatsoever, receivables, debts, whether unsecured or secured by mortgage of immoveables or charge on movables or otherwise, securitised debts, asset or mortgaged backed securities or mortgage backed securitised debts and to manage, service or collect the same and to appoint managing, servicing or collection agent therefor and to issue certificates or other instruments in respect thereof to public or private investors and to guarantee and insure the due payment, fulfillment and performance of obligations in respect thereof or in connection therewith and to promote, establish, undertake, organise, manage, hold or dispose of any special purpose entity, body corporate or vehicle for carrying on all or any such activities.
8. To act as foreign exchange dealer and to buy, sell or otherwise deal in all kinds of foreign currencies including foreign bank notes, foreign currency options, forward covers, swaps of all kinds and to transact for itself or on behalf of any person, body corporate, company, society, firm or association of persons whether incorporated or not, all transactions in foreign currencies.
9. To carry on the activities of bill discounting, rediscounting bills, marketing, factoring, dealing in commercial paper, treasury bills, certificate of deposits and other financial instruments.
10. To act as agents for any Government or local authority or any other person or persons, carry on agency business of any description including clearing and forwarding of goods, give receipts and discharges and otherwise act as an attorney on behalf of customers, but excluding the business of a managing agent or secretary and treasurer of a company.
11. To contract for public and private loans and advances and negotiate and issue the same.
12. To form, constitute, promote, act as managing and issuing agents, brokers, sub-brokers, prepare projects and feasibility reports for and on behalf of any company, association, society, firm, individual and body corporate.
13. To carry on and transact every kind of guarantee and indemnity business.
14. To undertake and execute trusts and the administration of estates as executor or trustee.

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15. To act as registrar and transfer agents and registrar to the issue, issue agents and paying agents.
16. To provide custodial and depository services and to do all such things as may be advised, permitted or required for this purpose.
17. To effect, insure, guarantee, underwrite, participate in managing and carrying out of any issue, public or private, of state, municipal or other loans or of shares, stock, debentures or debenture stock of any company, corporation or association and the lending of money for the purpose of any such issue.
18. To provide credit, charge, debit, saving, investment or other facilities to any person or persons (whether individuals, firms, companies, bodies, corporate or other entities), whether in the private or public sector by issuance of credit, charge, debit, stored value, prepaid, smart or other cards whether private label, co-branded, affinity or otherwise and to establish and maintain card acceptance network (including physical, electronic, computer or automated machines network) and make payments or provide settlement service to the merchants or issuing banks on account of usage by the cardholders of the credit, charge, debit, stored value, prepaid, smart or other cards whether private label, co-branded, affinity or otherwise.
19. To provide or assist in obtaining, directly or indirectly, advice or services in various fields such as management, finance, investment, technology, administration, commerce, law, economics, labour, human resources development, industry, public relations, statistics, science, computers, accountancy, taxation, fund management, foreign exchange dealings, quality control, processing, strategic planning and valuation.
20. To do any other form of business which the Government of India may specify as a form of business in which it is lawful for a banking company to engage.
- 20A. To carry on the business of assisting industrial, infrastructure and commercial enterprises : in general by
 - i. assisting in the creation, expansion and modernisation of such enterprises;
 - ii. encouraging and promoting the participation of capital, both internal and external in such enterprises;
 - iii. and in particular by
 - i. providing finance in the form of long, medium or short term loans or equity participations;
 - ii. sponsoring and underwriting new issues of shares and securities;
 - iii. guaranteeing loans from other investment sources;
 - iv. making funds available for re-investment by revolving investments as rapidly as prudent;
 - v. performing and undertaking activities pertaining to leasing, giving on hire or hire-purchase, bill marketing, factoring and related fields.
- 20B. To lend money, with or without interest, (with or without security) for any maturity, in any form whatsoever including by way of loans, advances, instalment credit, trade finance, hire or otherwise to any person or persons (whether individuals, firms, companies, bodies corporate, Government, State, Sovereign, public body or authority, supreme, local or otherwise or other entities), whether in the private or public sector, for any purpose whatsoever, including agriculture, industry, infrastructure, export-import, housing, consumer or others.
- 20C. To lend money, with or without interest, (with or without security) for any maturity, in any form whatsoever, to any person or persons (whether individuals, firms, companies, bodies corporate, Government, State, Sovereign, public body or authority, supreme, local or otherwise or other entities), whether in the private or public sector, for:
 - (i) Purchasing or acquiring any freehold or leasehold lands, estate or interest in any land or property,
 - (ii) Taking demise for any term or terms of years of any land or property or
 - (iii) Constructions, erection, purchase, extension, alteration, renovation, development or repair any house or building or any form of real estate or any part or portion thereof.
- 20D. To provide financial assistance to any person or persons (whether individuals, firms, companies, bodies corporate, Government, State, Sovereign, public body or authority, supreme, local or otherwise or other entities), whether in the private or public sector for any purpose whatsoever by means of leasing, giving on hire or hire-purchase,

lending, selling, reselling, or otherwise disposing of all forms of immovable and moveable properties and assets of any kind, nature or use, whatsoever and for the purpose, purchasing or otherwise acquiring dominion over the same, whether new or used.

- 20E. To purchase, acquire, sell, dispose of, deal or trade in bullion and specie and/or to issue, subscribe to, acquire, purchase, sell, dispose of, deal or trade in derivative financial instruments including futures, forwards options, swaps, caps, collars, floors, swap options, bond options or other derivative instruments whether traded on any market or exchange or otherwise, for proprietary trading activities or for any person or persons (whether individuals, firms, companies, bodies corporate, Government, State, Sovereign, public body or authority, supreme, local or otherwise or other entities), whether in the private or public sector.
- 20F. To promote, organise, manage or undertake the activities of insurance intermediaries including insurance or reinsurance brokers, consultants, surveyors, loss assessors, loss control engineers, risk managers, actuarial analyst and to promote organise, manage or undertake, marketing, trading, distribution or servicing of insurance and assurance products of all kinds, whether life or general; financial, investment or other products including (without limitation) securities, stocks, shares, debentures, bonds, units, certificates or services offered by the Company and/or by any person, firm, company, body corporate, mutual fund, Government, State, public body or authority, supreme, municipal, local or otherwise, through the Company's branches, or offices.
- 20G. To promote, organise or manage funds or investments on a discretionary or non-discretionary basis on behalf of any person or persons (whether individual, firms, companies bodies, corporate, public body or authority, supreme, local or otherwise, trusts, pension funds, offshore funds, charities, other associations or other entities), whether in the private or public sector.
- 20H. To act as Trustee of any deeds, constituting or securing any debentures, debenture stock, or other securities or obligations and to undertake and execute any other trusts, and also to undertake the office of or exercise the powers of executor, administrator, receiver, treasurer, custodian and trust corporation.
- 20I. To provide financial services, advisory and counselling services and facilities of every description capable of being provided by share and stock brokers, share and stock jobbers, share dealers, investment fund managers and to arrange and sponsor public and private issues or placement of shares and loan capital and to negotiate and underwrite such issues.

The main objects clause and the objects incidental or ancillary to the main objects of our Memorandum of Association enable us to undertake our existing activities and the activities for which the funds are being raised through this Issue.

For details of the capital raised by us, see "Capital Structure" on page 30.

History and Major Events

We were incorporated in 1994 as a part of the ICICI group. Our 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, we became a wholly owned subsidiary of ICICI.

The chronology of events since we were incorporated in 1994 is as follows:

Change of name

Our name was changed from ICICI Banking Corporation Limited to ICICI Bank Limited on September 10, 1999. The change of name was effected on account of our being widely known by the name "ICICI Bank".

Merger of Bank of Madura

Bank of Madura was merged with us effective March 10, 2001. The share exchange ratio fixed for the transaction was two of our Equity Shares of Rs. 10 each for every equity share of Bank of Madura of Rs. 10 each.

Amalgamation of ICICI

ICICI, ICICI Capital Services and ICICI Personal Financial Services amalgamated with us with effect from May 3, 2002. The Appointed Date for the merger specified in the Scheme of Amalgamation, which was the date of the amalgamation for accounting purposes under Indian GAAP, was March 30, 2002. The amalgamation was approved by the High Court of Judicature at Bombay vide its order dated April 11, 2002 and by the High Court of Gujarat at Ahmedabad

ICICI BANK LIMITED

vide its order dated March 7, 2002. The share exchange ratio was one of our Equity Shares of Rs. 10 each for every two equity shares of ICICI of Rs. 10 each.

Amalgamation of Sangli Bank Limited

The Board of Directors of ICICI Bank Limited and the Board of Directors of the Sangli Bank Limited (Sangli Bank) at their respective Meetings held on December 9, 2006, approved an all-stock amalgamation of Sangli Bank with ICICI Bank. The amalgamation was subsequently approved by the Members of both banks. RBI (RBI) approved the scheme of amalgamation effective April 19, 2007.

Proposed incorporation of new subsidiary

Our Board has approved the transfer of our equity shareholding in ICICI Prudential Life Insurance Company Limited, ICICI Lombard General Insurance Company Limited, ICICI Prudential Asset Management Company Limited and ICICI Prudential Trust Limited to a proposed new subsidiary. For more details see "Business - Insurance" on page 73.

Changes in the Memorandum of Association since incorporation

The changes in the Memorandum of Association since incorporation are given in the table below:

Sr. No.	Date	Changes made
1	September 10, 1999	Our name was changed from ICICI Banking Corporation Limited to ICICI Bank Limited pursuant to the Special Resolution passed by the Members at their 5 th AGM held on June 14, 1999 and approval of the Registrar of Companies <i>vide</i> fresh certificate of incorporation dated September 10, 1999
2	June 11, 2001	New clause 62 inserted and the existing Clause 62 renumbered as 63 <i>vide</i> Resolution passed by the Members at their 7 th AGM held on June 11, 2001. <i>"62. To open, establish, maintain and operate currency chests and small coin depots on such terms and conditions as may be required by the Reserve Bank of India established under the Reserve Bank of India Act, 1934 and enter into all administrative or other arrangements for undertaking such functions with the Reserve Bank of India".</i>
3	May 3, 2002	Increase in our Authorised Capital from Rs. 300,00,00,000 divided into 30,00,00,000 equity shares of Rs.10 each to Rs. 22,50,00,00,000 divided into 1,90,00,00,000 shares of Rs.10 each and 350 shares of Rs. 10.0 million each pursuant to the Order of the High Court of Gujarat at Ahmedabad in connection with the amalgamation of ICICI Limited, ICICI Capital Services Limited and ICICI Personal Financial Services Limited with ICICI Bank Limited.
4	January 16, 2003	Reduction in Authorised Share Capital to Rs.19,00,00,00,000 divided into 1,55,00,00,000 shares of Rs. 10 each and 350 shares of Rs. 10.0 million each pursuant to the Special Resolution passed at the 8 th AGM held on September 16, 2002 and approval of Reserve Bank of India <i>vide</i> letter dated January 16, 2003.
5	May 12, 2004	Clause 7A has been inserted pursuant to the Special Resolution passed by the Members by means of postal ballot, the result of which was declared at the 8 th AGM held on September 16, 2002 as also approved by Reserve Bank of India <i>vide</i> is letter dated May 12, 2004. (Clause 7A – Annexure 2) <i>"7A. To securitise, purchase, acquire, invest in, transfer, sell, dispose of or trade in any financial asset whatsoever, receivables, debts, whether unsecured or secured by mortgage of immovables or charge on movables or otherwise, securitised debts, asset or mortgaged backed securities or mortgage backed securitised debts and to manage, service or collect the same and to appoint managing, servicing or collection agent therefor and to issue certificates or other instruments in respect thereof to public or private investors and to guarantee and insure the due payment, fulfillment and performance of obligations in</i>

Sr. No.	Date	Changes made
		<i>respect thereof or in connection therewith and to promote, establish, undertake, organise, manage, hold or dispose of any special purpose entity, body corporate or vehicle for carrying on all or any such activities."</i>
6	May 12, 2004	Clause 18 has been replaced by new clause 18 pursuant to the Special Resolution passed by the Members by means of postal ballot, the result of which was declared at the 8th AGM held on September 16, 2002 as also approved by Reserve Bank of India vide its letter dated May 12, 2004. " <i>18. To provide credit, charge, debit, saving, investment or other facilities to any person or persons (whether individuals, firms, companies, bodies, corporate or other entities), whether in the private or public sector by issuance of credit, charge, debit, stored value, prepaid, smart or other cards whether private label, co-branded, affinity or otherwise and to establish and maintain card acceptance network (including physical, electronic, computer or automated machines network) and make payments or provide settlement service to the merchants or issuing banks on account of usage by the cardholders of the credit, charge, debit, stored value, prepaid, smart or other cards whether private label, co-branded, affinity or otherwise"</i>
7	May 12, 2004	Clauses 20A – 20I inserted pursuant to the Special Resolution passed by the Members by means of postal ballot, the result of which was declared at the 8th AGM held on September 16, 2002 as also approved by Reserve Bank of India vide its letter dated May 12, 2004. <i>"20A. To carry on the business of assisting industrial, infrastructure and commercial enterprises :in general by</i> <i>i. assisting in the creation, expansion and modernisation of such enterprises;</i> <i>ii. encouraging and promoting the participation of capital, both internal and external in such enterprises;</i> <i>iii. and in particular by</i> <i>i. providing finance in the form of long, medium or short term loans or equity participations;</i> <i>ii. sponsoring and underwriting new issues of shares and securities;</i> <i>ii. guaranteeing loans from other investment sources;</i> <i>iv. making funds available for re-investment by revolving investments as rapidly as prudent;</i> <i>v. performing and undertaking activities pertaining to leasing, giving on hire or hire-purchase, bill marketing, factoring and related fields.</i> <i>20B. To lend money, with or without interest, (with or without security) for any maturity, in any form whatsoever including by way of loans, advances, instalment credit, trade finance, hire or otherwise to any person or persons (whether individuals, firms, companies, bodies corporate, Government, State, Sovereign, public body or authority, supreme, local or otherwise or other entities), whether in the private or public sector, for any purpose whatsoever, including agriculture, industry, infrastructure, export-import, housing, consumer or others.</i> <i>20C. To lend money, with or without interest, (with or without security) for any maturity, in any form whatsoever, to any person or persons (whether individuals, firms, companies, bodies corporate, Government, State, Sovereign, public body or authority, supreme, local or otherwise or other entities), whether in the private or public sector, for:</i>

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Sr. No.	Date	Changes made
		(i) Purchasing or acquiring any freehold or leasehold lands, estate or interest in any land or property, (ii) Taking demise for any term or terms of years of any land or property or (iii) Constructions, erection, purchase, extension, alteration, renovation, development or repair any house or building or any form of real estate or any part or portion thereof. 20D. To provide financial assistance to any person or persons (whether individuals, firms, companies, bodies corporate, Government, State, Sovereign, public body or authority, supreme, local or otherwise or other entities), whether in the private or public sector for any purpose whatsoever by means of leasing, giving on hire or hire-purchase, lending, selling, reselling, or otherwise disposing of all forms of immoveable and moveable properties and assets of any kind, nature or use, whatsoever and for the purpose, purchasing or otherwise acquiring dominion over the same, whether new or used. 20E. To purchase, acquire, sell, dispose of, deal or trade in bullion and specie and/or to issue, subscribe to, acquire, purchase, sell, dispose of, deal or trade in derivative financial instruments including futures, forwards options, swaps, caps, collars, floors, swap options, bond options or other derivative instruments whether traded on any market or exchange or otherwise, for proprietary trading activities or for any person or persons (whether individuals, firms, companies, bodies corporate, Government, State, Sovereign, public body or authority, supreme, local or otherwise or other entities), whether in the private or public sector. 20F. To promote, organise, manage or undertake the activities of insurance intermediaries including insurance or reinsurance brokers, consultants, surveyors, loss assessors, loss control engineers, risk managers, actuarial analyst and to promote organise, manage or undertake, marketing, trading, distribution or servicing of insurance and assurance products of all kinds, whether life or general; financial, investment or other products including (without limitation) securities, stocks, shares, debentures, bonds, units, certificates or services offered by the Company and/or by any person, firm, company, body corporate, mutual fund, Government, State, public body or authority, supreme, municipal, local or otherwise, through the Company's branches, or offices. 20G. To promote, organise or manage funds or investments on a discretionary or non-discretionary basis on behalf of any person or persons (whether individual, firms, companies bodies, corporate, public body or authority, supreme, local or otherwise, trusts, pension funds, offshore funds, charities, other associations or other entities), whether in the private or public sector. 20H. To act as Trustee of any deeds, constituting or securing any debentures, debenture stock, or other securities or obligations and to undertake and execute any other trusts, and also to undertake the office of or exercise the powers of executor, administrator, receiver, treasurer, custodian and trust corporation. 20I. To provide financial services, advisory and counselling services and facilities of every description capable of being provided by share and stock brokers, share and stock jobbers, share dealers, investment fund managers and to arrange and sponsor public and private issues or placement of shares and loan capital and to negotiate and underwrite such issues."
8	May 12, 2004	Clauses 60A- 60C inserted under Clause 60 pursuant to the Special Resolution passed by the Members by means of postal ballot, the result of which was

Sr. No.	Date	Changes made
		<i>declared at the 8th AGM held on September 16, 2002 as also approved by Reserve Bank of India vide its letter dated May 12, 2004</i> <i>"60A. To develop, improve, design, software and programme products of any and all descriptions in connection with or incidental or conducive to or in furtherance of the attainment of any of the objects of the Company.</i> <i>60B. To appoint trustees (whether individuals or corporations) to hold securities on behalf of and to protect the interests of the Company.</i> <i>60C. To promote, sponsor, organise, manage or undertake events, exhibitions, conferences, lectures, seminars, printing, publication or distribution of any books, report, literature, newspapers, publicity or other materials in connections with or incidental or conducive to or in furtherance of the attainment of any of the objects of the Company."</i>
9	May 12, 2004	Clause 61 has been replaced by new clause 61 pursuant to the Special Resolution passed by the Members by means of postal ballot, the result of which was declared at the 8th AGM held on September 16, 2002 as also approved by Reserve Bank of India vide its letter dated May 12, 2004. <i>"61 To do all or any of the above things and all such other things as are incidental or as may be thought conducive to the attainment of the above objects or any of them in India or any other part of the world either as principals, agents, trustees, contractors or otherwise and either alone or in conjunction with others and either by or through agents, contractors, trustees or otherwise and to do all such things as are incidental or conducive to the attainment of the above objects."</i>
10	June 8, 2007	The authorised Share capital was altered to Rs.1775,00,00,000 divided into 127,50,00,000 equity shares of Rs.10 each, 150,00,000 preference shares of Rs.100 each and 350 preference shares of Rs.1 crore vide postal ballot voting process. RBI vide letter dated June 5, 2007 accorded its approval to the above alteration.

Board of Directors and Management

The Board of Directors consisting of 17 members at June 1, 2007 is responsible for the management of our business. Our Articles of Association provide for a minimum of three directors and a maximum of 21, excluding the Government Director (nominated by the Government of India) and the Debenture Director (who may be appointed by trustees for our debenture issuances). The Government Director and the Debenture Director are not liable to retire by rotation. The Government Director may be removed from office only by the President of India. The Debenture Director may be removed from office only as provided in the relevant trust deed. Mr. Vinod Rai, Secretary (Financial Sector), Ministry of Finance, is the Government Director. There is currently no Debenture Director.

Mr. N. Vaghul is the non-executive Chairman of our Board of Directors. Mr. Vaghul was Chairman and Managing Director of ICICI from 1985 to 1992, executive Chairman from 1992 to 1996 and non-executive Chairman from 1996 to 2002. He has been previously Chairman and Managing Director of Bank of India from 1981 to 1984, and has also been Chairman of the Indian Banks' Association. The Board of Directors, at its Meeting held on April 30, 2005 has re-appointed Mr. Vaghul as Chairman on expiry of his term on May 2, 2005 for a period up to April 30, 2009. His appointment has been approved by RBI.

The Board of Directors has five wholtime Directors. The following table sets forth the names, designations and tenure of appointment of our wholtime Directors.

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Name	Designation	Date of first appointment	Tenure of first appointment	Tenure of current appointment
K. V. Kamath	Managing Director & CEO	May 3, 2002	Till April 30, 2006	Till April 30, 2009
Chanda D. Kochhar	Deputy Managing Director	April 1, 2001	Till March 31, 2006	Till March 31, 2009 ²
Nachiket Mor	Deputy Managing Director	April 1, 2001	Till March 31, 2006	Till March 31, 2009 ²
V. Vaidyanathan	Executive Director ³	October 24, 2006	—	October 23, 2011
Madhabi Puri-Buch	Executive Director ⁴	June 1, 2007	—	May 31, 2012

1. Appointed as Executive Director and elevated as Deputy Managing Director effective April 29, 2006.
2. The shareholders of our Bank have approved their appointments up to March 31, 2011. However, RBI has approved these appointments upto March 31, 2009.
3. Appointment is subject to the approval of the shareholders.
4. Appointment is subject to the approval of the shareholders and RBI.

Mr. K. V. Kamath, Ms. Chanda D. Kochhar, Dr. Nachiket Mor, Mr. V. Vaidyanathan and Ms. Madhabi Puri-Buch are not liable to retire by rotation. However, in order to comply with the Companies Act and the Articles of Association, Mr. V. Vaidyanathan and Ms. Madhabi Puri-Buch will be liable to retire 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 on retirement by rotation, they will continue to hold their offices and the retirement by rotation and re-appointment shall not be deemed to constitute a break in their appointment.

Ms. Chanda D. Kochhar is responsible for international and wholesale banking and Dr. Nachiket Mor is responsible for rural banking, government banking and global markets. Mr. V. Vaidyanathan is responsible for retail banking. Ms. Madhabi Puri-Buch is responsible for the Internal Control Environment functions including operations, risk management and legal and the corporate brand.

SUBSIDIARIES AND GROUP COMPANIES

We have 17 subsidiaries - ICICI Home Finance Company Limited, ICICI International Limited, ICICI Investment Management Company Limited, ICICI Lombard General Insurance Company Limited, ICICI Prudential Asset Management Company Limited (formerly Prudential ICICI Asset Management Company Limited), ICICI Prudential Life Insurance Company Limited, ICICI Prudential Trust Limited (formerly Prudential ICICI Trust Limited), ICICI Securities Limited (formerly ICICI Brokerage Services Limited), ICICI Securities Holdings Inc., ICICI Securities Inc., ICICI Securities Primary Dealership Limited (formerly ICICI Securities Limited), ICICI Trusteeship Services Limited, ICICI Venture Funds Management Company Limited, ICICI Bank Canada, ICICI Wealth Management Inc., ICICI Bank Eurasia Limited Liability Company and ICICI Bank UK plc. (formerly ICICI Bank UK Limited). In addition, we are a sponsor or co-sponsor of ICICI Prudential Mutual Fund (formerly Prudential ICICI Mutual Fund), the asset management company of which is ICICI Prudential Asset Management Company Limited and the trustee of which is ICICI Prudential Trust Limited and ICICI Securities Fund, the asset management company of which is ICICI Investment Management Company Limited and the trustee of which is ICICI Trusteeship Services Limited. We also intend to establish / incorporate a new subsidiary named ICICI Holdings Limited. None of our subsidiaries have any shares listed on any stock exchange.

We also own the entire or majority of the units and/or have made entire or majority of the contributions in certain trust funds, private equity funds and venture capital funds, namely, ICICI Property Trust, ICICI Eco-net Internet & Technology Fund, ICICI Emerging Sectors Fund, ICICI Strategic Investments Fund and ICICI Equity Fund. Such trust funds, private equity funds and venture capital funds and/or their investee companies are not our subsidiaries under the Companies Act, 1956 or group companies under the SEBI guidelines. Under the accounting standards, these trust funds, private equity funds and venture capital funds are treated as associates.

ICICI held equity holdings in certain companies namely Firstsource Solutions Limited (formerly ICICI Onesource Limited), 3i Infotech Limited (formerly ICICI Infotech Limited), ICICI Kinfra Limited, ICICI Web Trade Limited (now merged with ICICI Securities Limited (formerly ICICI Brokerage Services Limited), ICICI West Bengal Infrastructure Development Corporation Limited and ICICI Knowledge Park and due to the role of ICICI in their establishment and also pursuant to trademark license agreements between ICICI and such companies, such companies (and their subsidiaries, if any) are permitted in terms of such agreements to use "ICICI" in their name. 3i Infotech Limited and Firstsource Solutions Limited listed their equity shares on the NSE and the BSE in fiscal 2005 and fiscal 2007 respectively after making an initial public offering of shares. Pursuant to a request by 3i Infotech Limited and Firstsource Solutions Limited, we agreed to be named as one of their promoters in their respective prospectus filed with SEBI for the initial public offering of their equity shares. As a result of the same, 3i Infotech Limited and Firstsource Solutions Limited and their respective subsidiaries are group companies within the meaning of the SEBI guidelines. ICICI Knowledge Park was established with the object of providing world-class infrastructure to corporates for conducting research and emerging technology related activities. ICICI Kinfra Limited was established to develop infrastructure projects in Kerala. ICICI West Bengal Infrastructure Development Corporation Limited was established to develop infrastructure projects in West Bengal. ICICI Comm Trade Limited was established to provide commodity derivatives broking services and was a subsidiary of erstwhile ICICI Web Trade Limited. It has ceased to be a subsidiary of ICICI Web Trade Limited effective September 25, 2006.

Currently, we directly hold equity shares in Firstsource Solutions Limited, 3i Infotech Limited, ICICI Kinfra Limited and ICICI Knowledge Park to the extent of approximately 24.97%, 11.18%, 0.03% and 2.33% respectively and have no direct equity shareholding in ICICI West Bengal Infrastructure Development Corporation Limited and ICICI Comm Trade Limited. All of these companies are professionally managed companies under the supervision of their respective boards of directors. These companies are not our related parties for accounting purposes under Indian GAAP and we exercise no control over these companies other than to the extent of our shareholding, if any, in such companies or in terms of the trademark licensing agreements entered into with them. Separately, there may be independent commercial transactions in the ordinary course of business between one or more of the aforesaid companies and us. Our rights under the trademark licensing agreements allow us to terminate the use of 'ICICI' if our holding falls below such levels as we determine and/or upon serving of notice of a certain period.

In the event of any of the aforesaid companies seek our consent to specify us as its promoter and we do provide such consent, and such company in its prospectus names us as its promoter, we shall then constitute such companies' promoters, and such company would then constitute our affiliate.

None of following have become a sick company under the meaning of Sick Industrial Companies (Special Provisions)

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Act, 1985 (SICA). None of the following companies is involved in any winding up proceeding.

1. ICICI Securities Limited (formerly ICICI Brokerage Services Limited) ("ICICI Securities")

ICICI Securities Limited (formerly ICICI Brokerage Services Limited) was incorporated on March 9, 1995. It is a member of the NSE and BSE. ICICI Securities provides broking services to institutional and retail investor clients. With effect from October 01, 2006, ICICI Web Trade Limited has merged with ICICI Securities. Following the merger, ICICI Securities Primary Dealership Limited held 54.55% of the equity share capital of ICICI Securities and ICICI Trusteeship Services Limited as trustee of the ICICI Equity Fund held 45.45%. To comply with the RBI's guidelines on primary dealers, we have acquired the entire shareholding of ICICI Securities Primary Dealership and also ICICI Trusteeship Services Limited (as trustee of ICICI Equity Fund) in ICICI Securities Limited, making it our wholly owned subsidiary, effective May 9, 2007.

Registered Office: ICICI Centre, H. T. Parekh Marg, Churchgate, Mumbai 400 020, India.

A summary of the financial performance of ICICI Securities is as follows:

(Rupees in million)

Particulars	For the year ended March 31,		
	2005	2006	2007 ⁽²⁾
Total income	468.6	712.7	4,379.0
Expenditure	331.0	387.5	3,422.8
Profit/(loss) before tax	137.6	325.2	956.2
Profit/(loss) after tax	84.4	210.9	625.7
Equity share capital	45.0	45.0	82.5
Reserves ¹	419.2	440.3	783.3
Face value per share (Rs.)	10.0	10.0	10.0
Book value per share (Rs.)	103.2	107.8	104.9
Earnings per share (Basic & Diluted) (Rs.)	18.8	46.9	98.1

(1) Reserves as disclosed above are after deducting miscellaneous expenditure not written off or adjusted.

(2) The figures for fiscal 2007 include the effect of the amalgamation of ICICI Web Trade Limited and are not comparable with figures for previous years.

Board of Directors:

Mr. S. Mukherji (Chairman)

Mr. K. V. Kamath

Ms. Kalpana Morparia

Dr. Nachiket Mor

Mr. Uday Chitale

Mr. Nitin Jain

Mr. Paresh Shah

Mr. Anup Bagchi

Mr. Subir Saha

Mr. Anil Kaul

2. ICICI Securities Primary Dealership Limited (formerly ICICI Securities Limited)

ICICI Securities Primary Dealership Limited (formerly ICICI Securities Limited) and prior to which was known as ICICI Securities Finance Company Limited was set up on February 22, 1993. ICICI Securities Primary Dealership Limited is registered with the RBI as a primary dealer in Government of India securities. ICICI Securities Primary Dealership Limited is a merchant banker, underwriter and portfolio manager registered with the SEBI. Effective

May 8, 2007, we own 100.0% of the share capital of ICICI Securities Primary Dealership Limited (99.94% at year-end fiscal 2007).

Registered Office: ICICI Centre, H. T. Parekh Marg, Churchgate, Mumbai 400 020, India.

A summary of the financial performance of ICICI Securities Primary Dealership Limited is as follows:

(Rupees in million)

Particulars	For the year ended March 31,		
	2005	2006	2007
Total income	1,823.3	4,059.4	4,246.7
Expenditure	978.7	1,918.8	2,345.7
Profit/(loss) before tax	844.6	2,140.6	1,901.0
Profit/(loss) after tax	564.0	1,476.8	1,325.5
Equity share capital	2,030.0	1,658.8	1,621.0
Reserves ¹	2,160.5	2,448.8	2,491.1
Face value per share (Rs.) ²	10.0	10.0	100,000.0
Book value per share (Rs.) ²	20.6	24.8	253,676.7
Earnings per share (Basic & Diluted) (Rs.)	2.8	8.0	8.0

(1) Reserves as disclosed above are after deducting miscellaneous expenditure not written off or adjusted.

(2) During the year, the company has consolidated the face value of each equity share from Rs. 10 to Rs. 100,000.

Board of Directors:

Mr. K.V. Kamath (Chairman)

Mr. Uday Chitale

Ms. Kalpana Morparia

Dr. Nachiket Mor

Mr. S. Mukherji, Managing Director & CEO

3. ICICI Securities Holdings Inc.

ICICI Securities Holdings Inc. was incorporated in the United States on June 12, 2000 and was a wholly owned subsidiary of ICICI Securities Primary Dealership Limited. It became a wholly owned subsidiary of ICICI Securities effective May 9, 2007. ICICI Securities Holdings, Inc. was incorporated to provide corporate advisory services to the investors in the United States who wish to enter the Indian financial market and Indian investors who wish to enter the financial market in the United States.

Registered Office: 1013, Centre Road, City of Wilmington, Country of New Castle, Delaware 19805, United States of America

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A summary of the financial performance of ICICI Securities Holdings Inc. is as follows:

(Rupees in million)

Particulars	For the year ended March 31,		
	2005	2006	2007
Total income	23.1	35.1	14.2
Expenditure	36.4	32.0	25.6
Profit/(loss) before tax	(13.3)	3.1	(11.4)
Profit/(loss) after tax	(13.3)	17.3	(21.9)
Equity share capital	75.0	522.3	342.6
Reserves ¹	(21.1)	(3.6)	(23.2)
Face value per share (US\$)	1.0	1.0	1.0
Book value per share (Rs.)	33.7	44.3	41.5
Earnings per share (Basic & Diluted) (Rs.)	(8.4)	0.6	(2.3)

(1) Reserves as disclosed above are after deducting miscellaneous expenditure not written off or adjusted.

Board of Directors:

Mr. P. Gopakumar

Mr. Nitin Jain

Mr. J. Niranjana

Mr. Subir Saha

4. ICICI Securities Inc.

ICICI Securities Inc. was incorporated on June 13, 2000 in the United States to provide brokerage, research and investment banking services to investors who wish to invest in the Indian financial markets. ICICI Securities Inc. is a wholly owned subsidiary of ICICI Securities Holdings, Inc. ICICI Securities Inc. is registered with the United States Securities Exchange Commission and is a member of the National Association of Securities Dealers Inc. in the United States. ICICI Securities Inc. is permitted to deal in securities market transactions in the United States and provide research and investment advice to institutional investors and wealth management services to retail investors based in the United States.

Registered Office: 1013 Centre Road, City of Wilmington, Country of New Castle, Delaware 19805, United States of America

A summary of the financial performance of ICICI Securities Inc. is as follows:

(Rupees in million)

Particulars	For the year ended March 31,		
	2005	2006	2007
Total income	43.7	288.4	104.7
Expenditure	42.6	214.6	187.8
Profit/(loss) before tax	1.1	73.8	(83.1)
Profit/(loss) after tax	1.1	43.5	(66.5)
Equity share capital	48.3	491.2	314.2
Reserves ¹	(7.8)	24.3	(49.7)
Face value per share (US\$)	1.0	1.0	1.0
Book value per share (Rs.)	38.6	46.7	37.5
Earnings per share (Basic & Diluted) (Rs.)	1.0	16.4	(7.5)

(1) Reserves as disclosed above are after deducting miscellaneous expenditure not written off or adjusted.

Board of Directors:

Mr. P. Gopakumar, President & CEO

Mr. Nitin Jain

Mr. J. Niranjana

Mr. Subir Saha

Mr. Anup Bagchi

5. ICICI Prudential Life Insurance Company Limited ("ICICI Prudential Life Insurance")

ICICI Prudential Life Insurance Company Limited was incorporated on July 20, 2000. ICICI Prudential is a 74:26 joint venture between our Bank and Prudential Plc. of the United Kingdom. ICICI Prudential Life Insurance is registered with the Insurance Regulatory and Development Authority. Subject to the amendment of foreign direct investment guidelines in India, Prudential plc has the right to increase its shareholding in ICICI Prudential Life Insurance Company Limited to 49.0% at the market value of the shares.

The company's life insurance business comprises individual life and pension and group life, superannuation & gratuity business, including participating, non-participating, annuities, pension, health and linked segments. Some of these policies have riders attached to them such as accident and disability benefit, level term, critical illness, waiver of premium and major surgical assistance. These products are distributed through individual agents, corporate agents, banks and brokers. ICICI Prudential Life Insurance recorded a total new business premium of Rs. 51,621.3 million during fiscal 2007 as compared to Rs. 26,025.0 million during fiscal 2006, a growth of 98.4%. ICICI Prudential Life Insurance was the largest player in the retail segment of the private sector life insurance market with a market share of about 28% during fiscal 2007 (on weighted received premium basis) [Source: IRDA]. It had 583 branches and about 234,000 advisors.

Registered Office: ICICI PruLife Towers , 1089 Appasaheb Marathe Marg, Prabhadevi, Mumbai 400025

A summary of the financial performance of ICICI Prudential Life Insurance is as follows:

(Rupees in million)

Particulars	For the year ended March 31,		
	2005	2006	2007
Total income	25,641.4	56,982.1	89,192.3
Expenditure	27,865.5	59,015.4	96,109.0
Profit/(loss) before tax	(2,224.1)	(2,033.3)	(6,916.7)
Profit/(loss) after tax	(2,116.2)	(1,878.8)	(6,489.1)
Equity share capital	9,250.0	11,850.0	13,123.0
Reserves (excluding policy holders fund)	(6,825.1)	(9,261.0)	(8,073.9)
Face value per share (Rs.)	10.0	10.0	10.0
Book value per share (Rs.)	2.6	2.2	3.9
Earnings per share (Basic) (Rs.)	(2.8)	(1.8)	(5.3)
Earnings per share (Diluted) (Rs.)	(2.8)	(1.8)	(5.3)

(1) Reserves as disclosed above are after deducting miscellaneous expenditure not written off or adjusted.

Board of Directors:

Mr. K. V. Kamath (Chairman)

Ms. Chanda D. Kochhar

Ms. Kalpana Morparia

Mr. M. P. Modi

ICICI BANK LIMITED

Mr. R. Narayanan
Mr. Huynh Thanh Phong
Mr. Barry Stowe
Mr. Keki Dadiseth
Ms. Shikha Sharma, Managing Director & CEO
Mr. N.S.Kannan, Executive Director
Mr. Bhargava Dasgupta, Executive Director

6. ICICI Lombard General Insurance Company Limited ("ICICI Lombard General Insurance")

ICICI Lombard General Insurance was incorporated on October 30, 2000. ICICI Lombard General Insurance is a 74:26 joint venture between our Bank and Fairfax Financial Holdings Limited. ICICI Lombard General Insurance is registered with the Insurance Regulatory and Development Authority. ICICI Lombard General Insurance offers a wide range of general insurance products for both corporate and retail customers. ICICI Lombard General Insurance recorded a total gross written premium of Rs. 30,034.0 million during fiscal 2007 as compared to Rs. 15,920.0 million during fiscal 2006, a growth of 89%. ICICI Lombard General Insurance was the largest private general insurer with a market share of 34% among the private sector general insurance companies during the year ended fiscal 2007. (Source: IRDA)

Registered Office: ICICI Bank Towers, Bandra-Kurla Complex, Mumbai 400 051

A summary of the financial performance of ICICI Lombard General Insurance is as follows:

(Rupees in million)

Particulars	For the year ended March 31,		
	2005	2006	2007
Total income	3,563.1	7,424.0	13,932.2
Expenditure	3,024.4	6,878.7	13,131.0
Profit/(loss) before tax	538.7	545.3	801.2
Profit/(loss) after tax	483.5	503.1	683.6
Equity share capital ¹	2,200.0	2,450.0	4,857.1
Reserves ²	360.6	1,717.8	4,445.8
Face value per share (Rs.)	10.0	10.0	10.0
Book value per share (Rs.)	11.6	17.0	27.7
Earnings per share (Basic) (Rs.)	2.2	2.3	2.4
Earnings per share (Diluted) (Rs.)	2.2	2.3	2.3

(1) Equity share capital for March 31, 2007 includes Rs. 1,500 million of share application money-pending allotment.

(2) Reserves as disclosed above are after deducting miscellaneous expenditure not written off or adjusted.

Board of Directors:

Mr. K. V. Kamath (Chairman)
Ms. Kalpana Morparia
Mr. H. N. Sinor
Mr. S. Mukherji
Mr. James Dowd
Mr. Chandran Ratnaswami

Mr. Dileep Choksi
 Mr. R. Athappan
 Mr. B.V. Bhargava
 Mr. V. Vaidyanathan
 Mr. Sandeep Bakhshi, Managing Director & CEO

7. ICICI Venture Funds Management Company Limited ("ICICI Venture")

ICICI Venture Funds Management Company Limited (formerly TDICI Limited) was incorporated on January 5, 1988 as a joint venture between ICICI and The Unit Trust of India. Subsequently, ICICI acquired Unit Trust of India's stake in 1998 and ICICI Venture became a subsidiary of ICICI Limited. We hold 100% share capital of ICICI Venture. ICICI Venture is a private equity/ venture capital fund management company. At March 31, 2007, the total funds under management of ICICI Venture were about Rs. 98.00 billion. ICICI Venture also holds a 50.0% stake in TSI Venture Limited, a joint venture with Tishman Speyer of the United States for real estate development.

ICICI Venture incorporated ICICI International Limited (formerly TDICI Investment Management Company) on January 18, 1996 as its wholly owned subsidiary in Mauritius to carry on the business of offshore fund management. Subsequently, ICICI Venture transferred its entire shareholding to ICICI.

Registered Office: Stanrose House, Ground Floor, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025

A summary of the financial performance of ICICI Venture is as follows:

(Rupees in million)

Particulars	For the year ended March 31,		
	2005	2006	2007
Total income	745.8	1,146.0	2,018.7
Expenditure	244.7	399.9	948.3
Profit /(loss) before tax	501.1	746.1	1,070.4
Profit/(loss) after tax	324.0	503.0	698.7
Equity share capital	23.4	10.0	10.0
Reserves ¹	343.1	195.7	312.6
Face value per share (Rs.)	10.0	10.0	10.0
Book value per share (Rs.)	156.6	205.7	322.6
Earnings per share (Basic & Diluted) (Rs.)	113.3	250.4	698.7

(1) Reserves as disclosed above are after deducting miscellaneous expenditure not written off or adjusted

Board of Directors:

Ms. Lalita D. Gupte (Chairperson)
 Mr. Kashinath Memani
 Ms. Madhabi Puri Buch
 Mr. Gopal Srinivasan
 Ms. Renuka Ramnath, Managing Director & CEO

8. ICICI Prudential Asset Management Company Limited (formerly Prudential ICICI Asset Management Company Limited), ("AMC") the asset management company of ICICI Prudential Mutual Fund (formerly Prudential ICICI Mutual Fund)

ICICI Prudential Asset Management Company Limited (formerly Prudential ICICI Asset Management Company Limited), a company registered under the Companies Act, 1956, was originally incorporated on June 22, 1993,

ICICI BANK LIMITED

as ICICI Asset Management Company Limited by ICICI as its wholly owned subsidiary, to act as the Investment Manager of the ICICI Mutual Fund. Consequent to a joint venture agreement dated June 29, 1994 entered into between ICICI and Morgan Guaranty International Finance Corporation (MGIFC), a subsidiary of JP Morgan of USA, MGIFC was issued and allotted shares aggregating 40.0% of the equity capital of ICICI Asset Management Company. The management of ICICI Asset Management Company reviewed its long-term business strategy and decided to further strengthen its commitment to the individual investor segment. As a part of this plan, MGIFC and ICICI agreed to restructure their partnership. As a part of the restructuring plan, MGIFC divested its entire holdings to ICICI and the Board of ICICI Asset Management Company approved the induction of Prudential PLC. (Prudential Corporation PLC.), of UK (Prudential) as the new joint venture partner and which held 55% and ICICI held 45% respectively in ICICI Asset Management Company and its name was changed to Prudential ICICI Asset Management Company Limited. We increased our shareholding in the company to 51% effective August 26, 2005, and it became our subsidiary and its name was changed to ICICI Prudential Asset Management Company Limited. The AMC is acting as the investment manager for the 33 schemes of ICICI Prudential Mutual Fund (formerly Prudential ICICI Mutual Fund). As approved by SEBI vide their Letter No. IMD/PM/90170/07 dated April 2, 2007, with effect from April 2, 2007 the names of all the schemes /plans/ options of ICICI Prudential Mutual Fund which commenced with "Prudential ICICI" stand changed to "ICICI Prudential" followed by postscript of the scheme name except for the Sensex Prudential ICICI Spice Plan.

The AMC is also registered with SEBI to act as a portfolio manager in terms of the SEBI (Portfolio Managers) Regulations, 1993. The AMC had total assets under management of about Rs. 379.00 billion as of March 31, 2007, representing a market share of 11.6%. [Source: AMFI]

Registered Office: 12th Floor, Narian Manzil, 23, Barakhamba Road, New Delhi 110 001

A summary of the financial performance of ICICI Prudential Asset Management Company Limited is as follows:

(Rupees in million)

Particulars	For the year ended March 31,		
	2005	2006	2007
Total income	1,020.4	1,414.9	2,389.0
Expenditure	756.8	940.6	1,653.4
Profit/(loss) before tax	263.6	474.3	735.6
Profit/(loss) after tax	171.7	311.3	483.8
Equity share capital	185.2	180.2	176.5
Reserves ¹	576.5	391.4	304.7
Face value Per Share (Rs.)	10.0	10.0	10.0
Book value Per Share (Rs.)	41.1	31.5	27.3
Earnings per share (Basic & Diluted) (Rs.)	9.3	16.8	27.0

(1) Reserves as disclosed above are after deducting miscellaneous expenditure not written off or adjusted.

Board of Directors:

Mr. K.V. Kamath (Chairman)

Mr. Dadi Engineer

Mr. B. R. Gupta

Ms. Kalpana Morparia

Mr. K. S. Mehta

Dr. Swati A. Piramal

Ms. Shikha Sharma

Mr. Ajay Srinivasan

Mr. Vijay Thacker
 Mr. Vikram Trivedi
 Mr. Barry Stowe
 Mr. Pankaj Razdan, Managing Director

9. ICICI Prudential Trust Limited ("Trustee Company") (formerly Prudential ICICI Trust Limited), the trustee of ICICI Prudential Mutual Fund (formerly Prudential ICICI Mutual Fund)

ICICI Prudential Trust Limited (formerly Prudential ICICI Trust Limited), a company registered under the Companies Act, 1956 was originally incorporated on June 22, 1993 as ICICI Trust Limited by ICICI as its wholly owned subsidiary, to act as a Trustee of ICICI Mutual Fund. Subsequently, this company became a joint venture between ICICI and Prudential PLC. of UK. We increased our shareholding in the company to 51% effective August 26, 2005, and it became our subsidiary and subsequently changed its name to ICICI Prudential Trust Limited.

Registered Office: 12th Floor, Narian Manzil, 23, Barakhamba Road, New Delhi 110 001

A summary of the financial performance of the Trustee Company is as follows:

(Rupees in million)

Particulars	For the year ended March 31,		
	2005	2006	2007
Total income	3.6	4.4	3.9
Expenditure	2.3	3.4	2.8
Profit/(loss) before tax	1.3	1.0	1.1
Profit/(loss) after tax	0.9	0.7	0.8
Equity share capital	1.0	1.0	1.0
Reserves ¹	7.1	7.2	7.4
Face value per share (Rs.)	10.0	10.0	10.0
Book value per share (Rs.)	81.0	81.3	83.3
Earnings per share Basic & Diluted (Rs.)	8.9	6.9	7.8

(1) Reserves as disclosed above are after deducting miscellaneous expenditure not written off or adjusted

Board of Directors:

Mr. E. B. Desai (Chairman)
 Mr. Keki Bomi Dadiseth
 Ms. Vishakha Mulye
 Mr. M. S. Parthasarathy
 Mr. D. J. Balaji Rao

10. ICICI Home Finance Company Limited ("ICICI Home Finance")

ICICI Home Finance was incorporated on May 28, 1999. ICICI Home Finance is a home finance company registered with the National Housing Bank and is engaged in lending primarily in the housing sector and also in marketing, distribution and servicing of our home loan products. It is our wholly owned subsidiary.

Registered Office: ICICI Bank Towers, Bandra-Kurla Complex, Mumbai 400 051

ICICI BANK LIMITED

A summary of the financial performance of ICICI Home Finance is as follows:

(Rupees in million)

Particulars	For the year ended March 31,		
	2005	2006	2007
Total income	2,398.8	3,134.7	4,442.8
Expenditure	2,261.2	2,929.3	3,805.5
Profit/(loss) before tax	137.6	205.4	637.3
Profit/(loss) after tax	100.1	122.9	469.7
Equity share capital	1,440.0	2,837.5	2,837.5
Preference share capital	150.0	150.0	150.0
Reserves ¹	356.1	526.6	705.0
Face value per share (Rs.)	10.0	10.0	10.0
Book value per share (Rs.)	12.5	11.9	12.0
Earnings per share (Basic) (Rs.)	0.8	0.8	1.7
Earnings per share (Diluted) (Rs.)	0.7	0.7	1.6

(1) Reserves as disclosed above are after deducting miscellaneous expenditure not written off or adjusted.

Board of Directors:

Mr. V. Vaidyanathan (Chairman)

Mr. Ashok Alladi

Mr. Jayesh Gandhi

Mr. Rajiv Sabharwal

11. ICICI Trusteeship Services Limited ("ICICI Trusteeship")

ICICI Trusteeship was incorporated on April 29, 1999 as a wholly owned subsidiary of ICICI. The company is our wholly owned subsidiary. The main object of ICICI Trusteeship is to act as trustee of mutual funds, off-shore funds, pension funds, provident funds, venture capital funds, insurance funds, collective or private investment schemes, employee welfare or compensation schemes etc., and to devise various schemes for raising funds in any manner in India or abroad and to deploy funds so raised and earn reasonable returns on their investments and to act as trustees generally for any purpose and to acquire, hold, manage, dispose-off all or any securities or money market instruments or property or assets and receivables or financial assets or any other assets or property.

Registered Office: ICICI Bank Towers, Bandra-Kurla Complex, Mumbai 400 051

A summary of the financial performance of ICICI Trusteeship is as follows:

(Rupees)

Particulars	For the year ended March 31,		
	2005	2006	2007
Total income	309,968	329,011	421,558
Expenditure	52,229	23,820	42,993
Profit/(loss) before tax	257,739	305,191	378,565
Profit/(loss) after tax	163,739	200,191	238,565
Equity share capital	500,000	500,000	500,000
Reserves ¹	807,286	1,007,477	1,246,042
Face value per share (Rs.)	10.0	10.0	10.0
Book value per share (Rs.)	26.1	30.3	35.1
Earnings per share (Basic & Diluted) (Rs.)	3.3	4.1	4.8

(1) Reserves as disclosed above are after deducting miscellaneous expenditure not written off or adjusted.

Board of Directors:

Mr. Sanjiv Kerkar (Chairman)

Mr. Girish Mehta

Mr. N. D. Shah

Dr. S. D. Israni

12. ICICI Investment Management Company Limited ("ICICI Investment Management")

ICICI Investment Management was incorporated on March 9, 2000 as a wholly owned subsidiary of ICICI. The company is our wholly owned subsidiary. The main object of ICICI Investment Management is to carry on the business of management of mutual funds, unit trusts, offshore funds, pension funds, provident funds, venture capital funds, insurance funds, and to act as managers, consultants, advisors, administrators, attorneys, agents, or representatives of these entities and to act as financial advisors and investment advisors.

Registered Office: ICICI Bank Towers, Bandra-Kurla Complex, Mumbai 400 051

A summary of the financial performance of ICICI Investment Management is as follows:

(Rupees in million)

Particulars	For the year ended March 31,		
	2005	2006	2007
Total income	7.3	7.5	11.3
Expenditure	3.8	2.8	2.5
Profit/(loss) before tax	3.5	4.7	8.8
Profit/(loss) after tax	2.1	3.2	6.6
Equity share capital	100.0	100.0	100.0
Reserves ¹	18.0	21.1	27.7
Face value per share (Rs.)	10.0	10.0	10.0
Book value per share (Rs.)	11.8	12.1	12.8
Earnings per share Basic & Diluted (Rs.)	0.2	0.3	0.7

(1) Reserves as disclosed above are after deducting miscellaneous expenditure not written off or adjusted.

Board of Directors:

Ms. Chanda D. Kochhar (Chairperson)

Mr. A. J. Advani

Mr. Chandrashekhar Lal

Mr. Ashish Dalal

13. ICICI Bank UK PLC. (formerly ICICI Bank UK Limited) ("ICICI Bank UK")

ICICI Bank UK was incorporated on February 11, 2003. ICICI Bank UK is our wholly owned subsidiary and is authorised and regulated by the Financial Services Authority in the UK. ICICI Bank UK undertakes both retail and corporate banking activities. As of March 31, 2007, ICICI Bank UK had total assets of Rs. 209.29 billion and deposits of Rs. 122.24 billion. ICICI Bank UK has five branches in the United Kingdom and one branch in Antwerp, Belgium.

Registered Office: 21 Knightsbridge, London SW1X 7LY, United Kingdom

ICICI BANK LIMITED

A summary of the financial performance of ICICI Bank UK is as follows:

(Rupees in million)

Particulars	For the year ended March 31,		
	2005	2006	2007
Total income	996.0	3,780.2	10,329.8
Expenditure	872.6	2,854.5	7,896.6
Profit before tax	123.4	925.7	2,433.2
Profit after tax	98.7	631.4	1,718.8
Equity share capital	4,347.0	5,868.5	5,868.5
Preference share capital	2,173.5	2,173.5	2,173.5
Reserves ¹	1.0	453.1	1,612.5
Face value per share (Rs.)	43.5	43.5	43.5
Book value per share (Rs.)	43.5	46.8	55.4
Earnings per share (Basic & Diluted) (Rs.)	1.0	3.3	11.4

- (1) Reserves as disclosed above are after deducting miscellaneous expenditure not written off or adjusted.
- (2) All figures have been translated into Indian Rupees at the closing rate of US\$1=Rs. 43.47 as on March 31, 2007.
- (3) During the year ended March 31, 2006 and March 31, 2007, the Board has declared a dividend on preference shares amounting to Rs.179.3 million and Rs. 179.3 million respectively.

Board of Directors:

Mr. K. V. Kamath (Chairman)

Ms. Chanda D. Kochhar

Mr. W. Michael T. Fowle

Mr. Richard M. J. Orgill

Dr. M. L. Kaul

Mr. Sonjoy Chatterjee , Managing Director & CEO

14. ICICI Bank Canada ("ICICI Bank Canada")

ICICI Bank Canada was incorporated on September 12, 2003. ICICI Bank Canada is our wholly owned subsidiary and has been authorised by the Office of the Superintendent of Financial Institutions in Canada. In addition, the Canada Deposit Insurance Corporation has admitted ICICI Bank Canada to its membership, giving it the ability to accept retail deposits in Canada. As of March 31, 2007, ICICI Bank Canada had total assets of Rs. 77.02 billion and deposits of Rs. 69.05 billion. ICICI Bank Canada has six branches.

Registered Office: Exchange Tower, 130 King Street West, Suite 2130 Toronto, Ontario M5X 1B1, Canada.

A summary of the financial performance of ICICI Bank Canada is as follows:

(Rupees in million)

Particulars	Uaudited For the year ended March 31,		
	2005	2006	2007
Total income	118.6	1,012.5	3,016.8
Expenditure	500.1	1,377.5	3,095.5
Profit before tax	(381.5)	(365.0)	(78.7)
Profit after tax	(270.3)	(257.8)	(66.1)
Equity share capital	829.0	3,090.0	4,220.4
Preference share capital	376.8	376.8	376.8
Reserves ¹	(305.3)	(563.1)	(629.2)
Face value per share (Rs.)	37.7	37.7	37.7
Book value per share (Rs.)	23.8	30.8	32.1
Earnings per share (Basic & Diluted) (Rs.)	(12.3)	(3.1)	(0.6)

(1) Reserves as disclosed above are after deducting miscellaneous expenditure not written off or adjusted

(2) All figures have been translated into Indian Rupees at the closing rate of CAD 1= Rs. 37.6825 as on March 31, 2007.

Board of Directors:

Mr. K. V. Kamath (Chairman)

Ms. Chanda D. Kochhar

Mr. Sonjoy Chatterjee

Mr. Hari Panday, President & CEO

Mr. Madan Bhayana

Mr. Robert G. Long

Senator David P. Smith

Mr. John Thompson

15. ICICI Bank Eurasia Limited Liability Company (ICICI Bank Eurasia)

ICICI Bank Eurasia Limited Liability Company (formerly Investment Credit Bank Limited Liability Company), incorporated on May 27, 1998, is our wholly owned subsidiary and is regulated by Central Bank of Russian Federation in Russia. ICICI Bank Eurasia is in the business of providing personal and commercial financial services. We acquired the entire shareholding of this company in May 2005. The Russian Deposit Insurance Agency has admitted ICICI Bank Eurasia to its membership. As of March 31, 2007, the total assets of ICICI Bank Eurasia were Rs. 20.04 billion.

Registered Office: 3, 50 Let Oktyabrya Square, City of Balabanovo, Borovsk District, Kaluga Region 249000, Russia

ICICI BANK LIMITED

A summary of the financial performance of ICICI Bank Eurasia is as follows:

(Rupees in million)

Particulars	Uaudited For the year ended March 31,	
	2006	2007
Total income	166.7	894.2
Expenditure	148.5	819.7
Profit/(loss) before tax	18.2	74.5
Profit/(loss) after tax	13.3	49.1
Equity share capital	522.7	1,645.4
Reserves ²	283.6	318.4
Face value per share (Rs.)	1.7	1.7
Book value per share (Rs.)	2.5	2.0
Earnings per share (Basic & Diluted) (Rs.)	0.1	0.1

- (1) Reserves as disclosed above are after deducting miscellaneous expenditure not written off or adjusted.
(2) All figures have been translated into Indian Rupees at the closing rate of RUB1=Rs.1.6694 as on March 31, 2007.

Board of Directors:

Ms. Chanda D. Kochhar (Chairperson)

Mr. Sonjoy Chatterjee

Mr. Sanjay Kumar Maheshka

Mr. Niranjan Limaye (President)

16. ICICI International Limited ("ICICI International")

ICICI International (formerly TDICI Investment Management Company) was originally incorporated on January 18, 1996 as a wholly owned subsidiary of ICICI Venture in Mauritius to carry on the business of offshore fund management. Subsequently, ICICI Venture transferred its entire shareholding to ICICI. ICICI International is our wholly owned subsidiary. ICICI and TCW (Trust Company of the West, USA) had jointly set up an asset management company named "TCW/ICICI Investment Partners, L.L.C." to pursue investment management opportunities in the private equity business. TCW/ICICI Investment Partners, L.L.C. is domiciled in Mauritius and has a share capital of US\$ 900,000. ICICI Bank holds 50.0% of the share capital of TCW/ICICI Investment Partners, L.L.C. through ICICI International. The remaining 50.0% of the share capital of TCW/ICICI Investment Partners is held by TCW. ICICI International Limited is an FII registered with SEBI vide registration no. IN-MU-FD-1066-05 valid upto May 8, 2010.

Registered Office: 3rd Floor Les Cascades, Edith Cavell Street, Port Louis, Mauritius

A summary of the past financial performance of ICICI International is as follows:

(Rupees in million)

Particulars	For the year ended March 31,		
	2005	2006	2007
Total income	4.6	0.3	5.9
Expenditure	4.6	0.9	5.7
Profit before tax	-	(0.6)	0.2
Profit after tax	-	(0.6)	0.2
Equity share capital	17.4	39.1	39.1
Reserves	5.6	5.0	5.2
Face value per share (Rs.)	434.7	434.7	434.7
Book value per share (Rs.)	575.0	490.0	492.2
Earnings per share (Basic and Diluted) (Rs.)	-	(0.7)	2.2

- (1) Reserves as disclosed above are after deducting miscellaneous expenditure not written off or adjusted.
- (2) All figures have been translated into Indian Rupees at the closing rate of US\$1=Rs. 43.47 as on March 31, 2007.

Board of Directors:

Ms. Renuka Ramnath
 Mr. Suresh Kumar
 Mr. Couldip Basanta Lala
 Mr. Kapil Dev Joory

17. ICICI Wealth Management Inc

ICICI Wealth Management Inc. ("ICICI WM") was incorporated as a 100% subsidiary of ICICI Bank Canada on July 28, 2006. ICICI WM received a Limited Market Dealer license from the Ontario Securities Commission on March 2, 2007, which permits ICICI WM to provide wealth management services to Accredited Investors and Sophisticated Investors (both as defined in Canadian regulations) in Canada (except those in the provinces of Newfoundland and Labrador).

Registered office: Exchange Towers, 130 King Street West, Suite 2130 Toronto, ON M5X 1B1, Canada

ICICI WM has not yet been capitalised and is yet to commence operations, both of which are expected shortly.

Board of Directors:

Mr. Anup Bagchi (Senior General Manager, ICICI Bank Limited)
 Mr. Hari Panday (President & CEO, ICICI Bank Canada)
 Mr. Sriram Iyer (Senior Vice President & COO, ICICI Bank Canada)

18. 3i Infotech Limited (formerly ICICI Infotech Limited)

3i Infotech Limited (formerly known as ICICI Infotech Limited) was incorporated on October 11, 1993 as a wholly owned subsidiary of ICICI Limited. 3i Infotech is a provider of information technology products and services. We directly hold equity shares in 3i Infotech to the extent of 11.18%. The shares of 3i Infotech Limited are listed on the NSE and BSE.

Registered Office: Tower No. 5, 3rd to 6th floors, International Infotech Park, Vashi, Navi Mumbai 400 703

The following is the list of direct and indirect subsidiaries of 3i Infotech: SDG Software Technologies Limited, SDG Software Technologies Pte. Ltd, Datacons Private Limited, 3i Infotech Trusteeship Services Limited, Stex Software Private Limited, Delta Services (India) Private Limited, e-Enable Technologies Private Limited, 3i Infotech

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Holdings Private Limited (Mauritius), 3i Infotech Inc, 3i Infotech Consulting Inc, Whizinfo Technologies Inc, 3i Infotech Investment Services Inc, 3i Infotech Factoring Solutions Inc, 3i Infotech Insurance Solutions Inc, 3i Infotech Enterprise Solutions Inc, 3i Infotech Pte. Ltd., 3i Infotech (Thailand) Limited, 3i Infotech SDN BHD, Datacons Asia Pacific SDN BHD, 3i Infotech (UK) Limited, Rhyme Systems Holdings Limited, 3i Infotech Saudi Arabia LLC, Rhyme Systems Group Limited, Rhymesis Limited, Rhyme Systems Limited, 3i Infotech (Africa) Limited.

3i Infotech Limited made a public issue in 2005 of 23 million equity shares of Rs. 10 each (including a greenshoe option), aggregating to Rs. 2,300 million at a issue price of Rs. 100 per equity share.

Issue Open Date	Issue Close Date	Objects of the Issue	Actual Performance Achieved
March 30, 2005	April 4, 2005	- Redemption of preference share capital – Rs. 1,500 million - Repayment of short-term loans and long-term loans – Rs. 938.71 million	- Fully utilized for the purpose mentioned in the Prospectus subject to a change as approved by the shareholders - Preference share capital was redeemed to the extent of Rs. 1,000 million and the difference amount of Rs. 500 million was utilized to repay additional debt

The following table shows the movement in share price of 3i Infotech during the last six months on NSE:

Month	High (Rs.)	Low (Rs.)
December 2006	193.70	165.00
January 2007	305.50	188.75
February 2007	323.80	234.00
March 2007	259.00	213.50
April 2007	307.50	223.40
May 2007	328.40	285.00

Share Price as on June 8, 2007 was Rs. 303.60 per equity share

Mechanism of Redressal of Investor Grievances

The investor services activities are being handled in-house by 3i Infotech Limited as the company is a SEBI registered Registrar and Transfer Agent with resources to service the investors. The average time required by 3i Infotech Limited for redressal of routine investor grievances is expected to be 7 working days from the date of receipt of the complaint. In case of non-routine complaints and where external agencies are involved, the company strives to redress these complaints as expeditiously as possible.

Changes in Capital Structure

There was no change in the capital structure on account of Public Issue, Rights Issue, Bonus, Preferential Allotment. However, there were three FCCB Issuances of US\$ 50 million in March 2006, Euro 15 million in October 2006 and Euro 30 million in April 2007 and issuance of shares pursuant to exercise of employee stock options.

Dividend paid during last three years

Year	Rate (%)	Dividend paid (Rs. in million)
2005-06	20	106.1
2004-05	10	54.0
2003-04	5	15.5

A summary of the financial performance of 3i Infotech Limited (consolidated) is as follows:

(Rupees in million)

Particulars	For the year ended March 31,		
	2005	2006	2007
Total income	2,920.4	4,240.5	6,707.7
Expenditure	2,707.7	3,660.8	5,609.4
Profit/(loss) before tax	212.7	579.7	1,098.3
Profit/(loss) after tax	321.1	576.6	1,044.8
Equity share capital	310.0	530.5	563.00
Preference share capital	1,500.0	1,000.0	1,000.00
Reserves	77.9	2,148.3	3,397.4
Face value per share (Rs.)	10.0	10.0	10.0
Book value per share (Rs.)	12.5	50.5	70.4
Earning per share (Basic) (Rs.)	6.9	9.5	18.0
Earning per share (Diluted) (Rs.)	6.8	9.1	17.4

(1) Reserves as disclosed above are after deducting miscellaneous expenditure not written off or adjusted.

Board of Directors:

Mr. Hoshang Sinor (Chairman)

Dr. Ashok Jhunjhunwala

Mr. Bruce Kogut

Mr. Suresh Kumar

Mr. Samir Kumar Mitter

Mr. Santhanakrishnan S.

Mr. V. Srinivasan, Managing Director & CEO

Mr. Hariharan Padmanabhan, Deputy Managing Director

Mr. Amar Chintopanth, Executive Director & Chief Financial Officer

3i Infotech Limited received two investor complaints in quarter ended March 31, 2007. As of March 31, 2007 no investor complaints were pending.

19. Firstsource Solutions Limited (formerly ICICI Onesource Limited)

Firstsource Solutions Limited (formerly ICICI Onesource Limited) was incorporated as "ICICI Infotech Upstream Limited" on December 6, 2001, and the name was changed to "ICICI Onesource Limited" on April 2, 2002. On November 21, 2006 the company changed its name to "Firstsource Solutions Limited". Firstsource Solutions Limited is one of the leading business process outsourcing company in India. As of March 31, 2007, it had 76 clients, more than 14,000 employees working out of 24 global delivery centers across India, United States, United Kingdom, and Argentina. The company operates in three major verticals - financial services, telecommunication and media, and healthcare. We hold equity shares in Firstsource Solutions Limited to the extent of 24.97%. The shares of Firstsource Solutions Limited are listed in NSE and BSE.

Registered Office: 6th Floor, Peninsula Chambers, Ganpatrao Kadam Marg, Lower Parel (West), Mumbai 400 013

First Solutions Limited has 12 subsidiaries: FirstRing Inc., Firstsource Advantage LLC., Pipal Research Corporation, Pipal Research and Analytics India Private Limited, Firstsource Solutions UK Limited, Firstsource Solutions USA Inc., Business Process Management, Inc, MedPlans Partners Inc., MedPlans 2000 Inc., RevIT Systems India Private Limited, Sherpa Business Solutions Inc. and Firstsource Solutions SA.

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Firstsource Solutions Limited (formerly ICICI Onesource Limited) made a public issue in 2007 of 69.3 million equity shares of Rs. 10 each, aggregating Rs. 4,435.2 million at a issue price of Rs. 64 per equity share

Issue Open Date	Issue Close Date	Objects of the Issue	Actual Performance Achieved
January 29, 2007	February 2, 2007	- Acquisitions – Rs. 1,800 million - Setting up of new facilities – Rs. 462.85 million - Repayment of loan – Rs. 450 million - General Corporate Purposes – Rs. 895.94 million	- As per the schedule of implementation disclosed in the prospectus, the proceeds are required to be utilized in fiscal 2008.

The following table shows the movement in share price of Firstsource Solutions Limited during the last six months on NSE:

Month	High (Rs.)	Low (Rs.)
December 2006	NA	NA
January 2007	NA	NA
February 2007	90.10	74.10
March 2007	86.30	61.15
April 2007	91.25	69.50
May 2007	93.20	81.50

Share Price as on June 8, 2007 was Rs. 82.85 per equity share

Mechanism of Redressal of Investor Grievances

Routine investor grievances are expected to be redressed within 7 working days from the date of receipt of the complaint. In case of non-routine complaints and where external agencies are involved, the company strives to redress these complaints as expeditiously as possible.

Changes in capital structure

Post IPO of the company in February 2007, 8,872,498 equity shares of Rs 10/- each were issued pursuant to Employee Stock Option Schemes of the Company.

Dividend paid during last three years

Firstsource has not declared any dividends in the past.

A summary of the financial performance of Firstsource Solutions Limited (consolidated) is as follows:

(Rupees in million)

Particulars	For the year ended March 31,		
	2005	2006	2007
Total income	3,230.9	5,495.2	8,399.3
Expenditure	3,057.5	5,225.6	7,373.0
Profit/(loss) before tax	173.4	269.6	1,026.3
Profit/(loss) after tax	181.1	246.7	972.5
Share capital	3,983.4	3,994.7	4,250.8
Reserves	77.7	327.5	6,414.7
Face value per share (Rs.)	10.0	10.0	10.0
Book value per share (Rs.)	10.2	10.8	25.1
Earnings per share (Basic) (Rs.)	1.0	1.2	3.7
Earnings per share (Diluted) (Rs.)	0.7	0.8	2.5

(1) Reserves as disclosed above are after deducting miscellaneous expenditure not written off or adjusted

Board of Directors:

Ms. Lalita D. Gupte

Ms. Shikha Sharma

Mr. Dinesh Vaswani

Mr. K.P. Balaraj

Mr. Donald Layden Jr.

Mr. Charles Miller Smith

Mr. Shailesh Mehta

Mr. Y.H. Malegam

Dr. Ashok Ganguli (Chairman)

Mr. Ananda Mukherji, Managing Director & CEO

FirstSource Solutions Limited received 1,032 investor complaints in quarter ended March 31, 2007. As of March 31, 2007, 70 investor complaints were pending.

OUR MANAGEMENT

Board of Directors as on June 01, 2007

Name, Description, Address & Business	Age (years)	Qualifications	Particulars of other Directorship(s)
Mr. Narayanan Vaghul Chairman (Independent Director) ICICI Bank Limited ICICI Bank Towers 10th Floor No.93, Santhome High Road Chennai 600 028 Development Banker	70	B.Com. (Hons), C.A.I.I.B.	Chairman Asset Reconstruction Company (India) Limited GIVE Foundation Himatsingka Seide Limited ICICI Knowledge Park Mahindra World City Developers Limited Pratham India Education Initiative Director Air India Limited Air India Air Transport Services Limited Air India Engineering Services Limited Apollo Hospitals Enterprise Limited Mittal Steel Company N.V. Azim Premji Foundation Hemogenomics Private Limited Mahindra & Mahindra Limited Mittal Steel Caribbean Nicholas Piramal India Limited Trans-India Acquisition Corporation Wipro Limited
Mr. Sridar Iyengar (Independent Director) 85 Fair Oaks Lane Atherton CA 94027, USA Business Advisor	59	B. Com, F.C.A.	Director American Indian Foundation Foundation for Democratic Reforms in India Infosys BPO Limited Infosys Technologies Limited Kovair Software Inc. Mango Analytics Inc. Onmobile Asia Pacific Private Limited Rediff.com India Limited Rediff Holdings Inc.
Mr. Ram Kishore Joshi (Independent Director) A-4, Mayfair Garden Little Gibbs Road Malabar Hill Mumbai 400 006 Retired Company Executive	60	BE (Mech.)	Chairman GIC Asset Management Company Limited GIC Housing Finance Limited Director The Andhra Pradesh Paper Mills Limited

Name, Description, Address & Business	Age (years)	Qualifications	Particulars of other Directorship(s)
Mr. Lakshmi Niwas Mittal (Independent Director) Mittal Steel (Chairman & CEO) Berkeley Square House Berkeley Square London W1J 6DA U.K. Industrialist	56	B.Com. (Magna-cum-Laude)	Director Arcelor S.A. Artha Limited Galmatias Limited LNM Capital Limited LNM Internet Ventures Limited Lucre Limited Mittal Steel Company Limited Mittal Steel Company N.V. Mittal Steel USA Inc. Nestor Limited Nuav Limited ONGC Mittal Energy Limited ONGC Mittal Energy Services Limited Pratham UK Limited Tommyfield Limited President Ispat Inland U.L.C
Mr. Narendra Murkumbi (Independent Director) Managing Director, Shree Renuka Sugars Limited Devchand House, 7th Floor, Shiv Sagar Estate Dr. Annie Besant Road Worli, Mumbai 400 018 Company Executive	37	BE (Electronics) PGDM	Managing Director Shree Renuka Sugars Limited Director Murkumbi Bioagro Private Limited Murkumbi Industries Private Limited Shree Renuka Infraprojects Limited Director & CEO Renuka Commodities DMCC
Mr. Anupam Pradip Puri (Independent Director) 17 East, 16 Street New York, NY 10003, USA Management Consultant	61	BA (Eco.) BA (M.Phil.)	Director Dr. Reddy's Laboratories Limited Mahindra & Mahindra Limited Tech Mahindra Limited
Mr. Vinod Rai Secretary (Financial Sector) (Nominee of the Government of India) Ministry of Finance Department of Economic Affairs (Banking Division) Government of India Jeevan Deep Parliament Street New Delhi 400 001 Government Service	58	B.A. (Eco. - Hons.) M.A. (Eco.) MPA (Harvard) AS (72-Kerala)	Director Industrial Development Bank of India Limited India Infrastructure Finance Company Limited Infrastructure Development Finance Company Limited Life Insurance Corporation of India State Bank of India
Mr. Mahendra Kumar Sharma (Independent Director) Centrum Tower Flat 19A&19B, 20A&20B 19th & 20th Floor, Barkhatali Rd. Wadala (East), Mumbai 400 037 Retired Company Executive	59	B.A. (Hons.) LL.B, PGDM	Chairman Unilever Nepal Limited

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Name, Description, Address & Business	Age (years)	Qualifications	Particulars of other Directorship(s)
Mr. Priya Mohan Sinha (Independent Director) B-787 Sushant Lok Phase I Gurgaon 122 002 Haryana Professional Manager	66	B.A.	Chairman Bata India Limited Director Indian Oil Corporation Limited Lafarge India Private Limited Wipro Limited
Prof. Marti Gurunath Subrahmanyam (Independent Director) Professor Stern School of Business New York University 44 West 4th Street Suite 9-190, New York NY 10012-1126, U.S.A. Professor	60	B.Tech. PGDBA, Ph.D.	Director Infosys Technologies Limited Nomura Asset Management (U.S.A.), Inc. Supply Chainge Inc. The Animi Offshore Fund Limited The Animi Concentrated Risk Fund Usha Comm Tech Limited International School of Business Management Ltd. Metahelix Life Sciences Pvt. Ltd.
Mr. T.S. Vijayan (Independent Director) Chairman Life Insurance Corporation of India Central Office "Yogakshema" 7 th Floor, West Wing, Jeevan Bima Marg, Mumbai 400 021 Company Executive	54	B.Sc, DIM	Chairman Life Insurance Corporation of India Non-Executive Chairman LIC Housing Finance Limited LIC Mutual Fund Asset Management Company Limited LIC International B.S.C LIC (Nepal) Limited LIC (Lanka) Limited LIC (Mauritius) Offshore Limited Director General Insurance Corporation of India Kenindia Assurance Company Limited National Commodities & Derivatives Exchange Limited National Stock Exchange of India Limited
Mr. V. Prem Watsa (Independent Director) Chairman & CEO Fairfax Financial Holdings Limited 95, Wellington Street West Suite 800 Toronto Ontario M5J 2N7 Canada Company Executive	56	B. Tech (Chemical Engineering) MBA, Chartered Financial Analyst	Chairman & CEO Fairfax Financial Holdings Limited Chairman Crum & Foster Holdings Corp. Northbridge Financial Corporation TIG Holdings, Inc. Director Lindsey Morden Group Inc. Odyssey Re Holdings Corp.

Name, Description, Address & Business	Age (years)	Qualifications	Particulars of other Directorship(s)
Mr. Kundapur Vaman Kamath Managing Director & CEO ICICI Bank Limited ICICI Bank Towers Bandra-Kurla Complex Mumbai 400 051 Company Executive	59	B.E. PGDBA	Chairman ICICI Bank Canada ICICI Bank UK PLC. ICICI Lombard General Insurance Company Limited ICICI Prudential Life Insurance Company Limited ICICI Securities Primary Dealership Limited ICICI Prudential Asset Management Company Limited Director ICICI Securities Limited Indian Institute of Management, Ahmedabad Visa International Asia Pacific Regional Board Member – Governing Board Indian School of Business
Ms. Chanda D. Kochhar Deputy Managing Director ICICI Bank Limited ICICI Bank Towers Bandra-Kurla Complex Mumbai 400 051 Company Executive	45	MMS, ICWA	Chairperson ICICI Bank Eurasia Limited Liability Company ICICI Investment Management Company Limited Director ICICI Bank Canada ICICI Bank UK Plc. ICICI Prudential Life Insurance Company Limited
Dr. Nachiket Mor Deputy Managing Director ICICI Bank Limited ICICI Bank Towers Bandra-Kurla Complex Mumbai 400 051 Company Executive	43	B.Sc. (Physics) PGDM (Finance) Ph.D (Financial Economics) Yale World Fellow	Director CARE, USA ICICI Knowledge Park ICICI Securities Primary Dealership Limited ICICI Securities Limited Pratham India Education Initiative
Mr. V. Vaidyanathan Executive Director ICICI Bank Limited ICICI Bank Towers Bandra-Kurla Complex Mumbai 400 051 Company Executive	39	MBA, AMP (HBS)	Chairman ICICI Home Finance Company Limited Director ICICI Lombard General Insurance Company Limited
Ms. Madhabi Buch-Puri Executive Director ICICI Bank Limited ICICI Bank Towers Bandra-Kurla Complex Mumbai 400 051 Company Executive	41	B.A., PGDM, DPR(U.K.)	Director ICICI Venture Funds Management Company Limited ICICI Prudential Trust Limited

- (1) In terms of Section 20(1) of the Banking Regulation Act, 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

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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. We are in compliance with these requirements.

Key managerial personnel

The following table sets forth certain details of our senior management.

Name	Age (yrs)	Date of joining	Designation	Qualifications	Details of previous employment	Work experience (years)	Compensation (Fiscal 2007) ⁽¹⁾
K.V. Kamath	59	May 1, 1996	Managing Director & CEO	B.E (Mech.), PGDBA	Advisor to the Chairman, Bakrie Group, Indonesia	36	25,791,829
Chanda D. Kochhar	45	April 17, 1984	Deputy Managing Director	B.A., MMS, ICWAI	—	23	11,329,123
Nachiket Mor	43	May 4, 1987	Deputy Managing Director	B.Sc., PGDM, Ph.D, Yale World Fellow	—	20	13,618,709
V. Vaidyanathan ⁴	39	March 6, 2000	Executive Director	MBA, AMP (HBS)	Citibank N.A.	17	11,277,149
Madhabi Puri Buch ⁵	41	January 1, 1997	Executive Director	B.A., PGDM, DPR(U.K.)	Research Director, ORGMARG	18	9,398,932
K. Ramkumar	45	July 2, 2001	Group Chief Human Resources Officer	B.Sc, PGDPM & IR	General Manager (HR), ICI India Limited	22	8,520,747
Pravir Vohra	52	January 28, 2000	Group Chief Technology Officer	MA, CAIIB	Vice President – Times Bank	32	8,870,117
Vishakha Mulye	38	March 1, 1993	Group Chief Finance Officer	B. Com, CA	Officer – Deutsche Bank	14	7,792,900

- (1) As per Section 217(2A) of the Companies Act. Includes aggregate leave travel allowance availed during the year: K.V. Kamath – Rs. 2,325,000, Chanda D. Kochhar – Rs. 937,500, Nachiket Mor – Rs. 2,062,500, V. Vaidyanathan Rs. 830,685 and all other key managerial personnel Rs. – 2,375,000.
- (2) All the above employees are on our rolls as permanent employees.
- (3) The senior management includes those employees who have become our employees pursuant to the amalgamation of ICICI with ICICI Bank. The details of previous employment of these employees relate to the period prior to their joining ICICI.
- (4) Subject to Shareholders approval.
- (5) Madhabi Puri-Buch has been appointed as Executive Director effective June 1, 2007 subject to approval of RBI and the shareholders.

Changes in Key Managerial Personnel in the last three years

Following are the changes in the key managerial personnel in the last three years:

- Ms. Lalita D. Gupte, Joint Managing Director completed her term as Joint Managing Director on October 31, 2006 and retired from the services of ICICI Bank with effect from November 1, 2006.
- Ms. Kalpana Morparia completed her term as Joint Managing Director of ICICI Bank on May 31, 2007 and retired from our board of directors effective June 1, 2007. She has been appointed Chief Strategy and Communications Officer - ICICI Group for a period of five years effective June 1, 2007. It is proposed that subject to necessary approvals, she would also take over as Managing Director and Chief Executive Officer of our proposed new subsidiary that would hold our investments in our insurance and asset management businesses.

Corporate Governance

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

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

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

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

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

To enable our Board of Directors to discharge these responsibilities effectively, executive management gives detailed reports on our performance 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

The Audit Committee comprises three independent directors – Mr. Sridar Iyengar, who is a Chartered Accountant, Mr. M.K. Sharma and Mr. Narendra Murkumbi. Mr. Sridar Iyengar is the Chairman of the Committee and Mr. M.K. Sharma is the Alternate Chairman.

Our board of directors has also determined that Mr. Sridar Iyengar qualifies as an audit committee financial expert.

The Committee provides direction to the audit function and monitors the quality of the internal and statutory audit. The responsibilities of the Audit Committee include overseeing of the financial reporting process to ensure fairness, sufficiency and credibility of financial statements, recommendation of appointment and removal of central and branch statutory auditors as also chief internal auditor and fixation of their remuneration, approval of payment to statutory auditors for other services rendered by them, review of functioning of Whistle Blower Policy, review of the quarterly and annual financial statements before submission to Board, review of the adequacy of internal control systems and the internal audit function, review of compliance with the inspection and audit reports of Reserve Bank of India and

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reports of statutory auditors, review of the findings of internal investigations, review of statement of significant related party transactions, review of Management letters/letter of internal control weaknesses issued by statutory auditors discussion on the scope of audit with external auditors and examination of reasons for substantial defaults, if any, in payment to stakeholders. The Committee provides direction to the internal audit function and monitors the quality of internal and statutory audit. The Committee is also empowered 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, engage independent counsel as also provide for appropriate funding for compensation to be paid to any firm/advisors.

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

Board Governance & Remuneration Committee

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

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

Credit Committee

The Credit Committee comprises five directors – Mr. N. Vaghul, Mr. Narendra Murkumbi, Mr. M. K. Sharma, Mr. P. M. Sinha and Mr. K. V. Kamath. The majority of the members of the Committee are independent directors. Mr. N. Vaghul 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 authorisation approved by the Board. The functions of Committee also include review of our business strategy in the agri-business and small enterprises segments and review of the quality of the agricultural lending and small enterprises finance credit portfolio.

Customer Service Committee

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

The Fraud Monitoring Committee comprises of the following directors - Mr. M.K. Sharma, Mr. Narendra Murkumbi, Mr. K.V. Kamath, Ms. Chanda D. Kochhar and Mr. V. Vaidyanathan. Mr. M. K. Sharma is the Chairman of the Committee.

The functions of the Committee include monitoring and review of all instances of frauds involving Rs.10.0 million and above.

Risk Committee

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

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

Share Transfer & Shareholders'/Investors' Grievance Committee

The Share Transfer & Shareholders'/Investors' Grievance Committee comprises four directors – Mr. M.K. Sharma, Mr. Narendra Murkumbi, Ms. Chanda D. Kochhar and Ms. Madhabi Puri-Buch. 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.

Agriculture & Small Enterprises Business Committee

The Board of Directors at its Meeting held on October 13, 2005 decided to dissolve the Agriculture & Small Enterprises Business Committee of our Bank and vest its powers with the Credit Committee. Both the Committees had common Members except Mr. P.M. Sinha. The Board at the said Meeting appointed Mr. P.M. Sinha as a Member of the Credit Committee.

Business Strategy Committee

As our budget and other strategic issues are being reviewed directly by the Board at its annual offsite Meeting convened for this purpose, the Business Strategy Committee was dissolved with effect from April 29, 2006.

Committee of Directors

The Committee of Directors comprises all five wholetime Directors. Mr. K.V. Kamath, Managing Director & CEO is the Chairman of the Committee. The powers of the Committee include credit approvals as per authorisation approved by the Board, approvals in respect of borrowing and treasury operations and premises and property related matters and review of performance against targets for various business groups.

Asset Liability Management Committee

The Asset Liability Management Committee comprises certain wholetime directors and certain senior executives.

The functions of the Committee include management of our balance sheet, review of our asset-liability profile with a view to manage the market risk exposure assumed by us and deciding our deposit rates and prime lending rate. Certain identified functions of the Committee have been delegated to certain Members of the senior management team of our Bank.

Compensation of our Directors

As per the requirements of listing agreements, the shareholders at their Annual General Meeting held on August 20, 2005 approved the payment of sitting fees up to Rs. 20,000/- to each of the non-wholetime directors (except the nominee of Government of India) for attending each Meeting of the Board or any Committee thereof. At present, the fees payable for attending each meeting of the Board and Committee thereof is Rs. 20,000/-. The Directors are paid travelling, hotel and other expenses for attending meetings of the Board/Committee. If any Director is required to perform extra services or is called upon to go out of station for any of our purposes, We may remunerate such Director either by way of a fixed sum or otherwise as may be determined by the Board of Directors and such remuneration may be either in addition to or in substitution of his remuneration mentioned above.

Mr. K. V. Kamath was appointed as a non-wholetime director of ICICI Bank on April 17, 1996 and as the Managing Director & CEO of our Bank on May 3, 2002, pursuant to the amalgamation of ICICI with ICICI Bank, upto April 30, 2006. He was re-appointed as the Managing Director & CEO for a further period upto April 30, 2009. His appointment has been approved by the shareholders and the Reserve Bank of India.

Ms. Chanda Kochhar and Dr. Nachiket Mor were appointed as wholetime directors designated as Executive Directors effective April 1, 2001 upto March 31, 2006. Their re-appointment was approved by the Board and shareholders for a further period upto March 31, 2011 and by Reserve Bank of India upto March 31, 2009. They were designated as Deputy Managing Directors effective April 29, 2006.

The Board appointed Mr. V. Vaidyanathan as Additional Director and wholetime director designated as Executive Director for the period from October 24, 2006 to October 23, 2011, subject to the approval of the shareholders and

ICICI BANK LIMITED

Reserve Bank of India. Reserve Bank of India has approved his appointment.

The Board at its Meeting held on April 28, 2007 appointed Ms. Madhabi Puri-Buch, Group Corporate Brand Officer & Head-Operations as Additional Director and wholetime director designated Executive Director effective June 1, 2007 for a period of five years, subject to the approval of Reserve Bank of India and the shareholders.

The salary ranges for the wholetime directors are set out in the following table:

Name and Designation	Monthly Salary Range (Rs.)	Proposed Monthly Salary Range (Rs.)*
Mr. K. V. Kamath, Managing Director & CEO	600,000-1,050,000	700,000 – 1,350,000
Ms. Chanda D. Kochhar, Deputy Managing Director	200,000-500,000	400,000 – 1,050,000
Dr. Nachiket Mor, Deputy Managing Director	200,000-500,000	400,000 – 1,050,000
Mr. V. Vaidyanathan, Executive Director	200,000-500,000	300,000 – 1,000,000
Ms. Madhabi Puri-Buch, Executive Director	NA	300,000 – 1,000,000

* The Board (based on the recommendation of the Board Governance & Remuneration Committee) at its Meeting held on April 28, 2007 approved the revision in salary range of the wholetime Directors, subject to the approval of the shareholders.

Further, the house rent allowance payable to the wholetime Directors has been increased from Rs. 50,000 per month to Rs. 100,000 per month effective April 1, 2007, subject to the approval of the shareholders and Reserve Bank of India.

Approval of the shareholders is being sought at the ensuing Annual General Meeting to be held on July 21, 2007 for the appointment of Mr. V. Vaidyanathan and Ms. Madhabi Puri-Buch as wholetime directors and the proposed revision in remuneration.

There are no severance payments required to be made to our Directors or key managerial personnel upon termination of their services.

Changes in our Board of Directors and Auditors during the last four years

Changes in Directors

The changes that took place in the Board of Directors since April 2003 are as follows:

<i>From April 2003 to March 2004</i>		
Mr. H. N. Sinor	Retired	June 1, 2003
Mr. R. Seshasayee	Ceased	October 31, 2003
Mr. S.B. Mathur	Appointed	January 29, 2004
Mr. V. Prem Watsa	Appointed	January 29, 2004
Mr. S. Mukherji	Ceased	February 1, 2004
<i>From April 2004 to March 2005</i>		
Dr. Satish C. Jha	Retired	September 20, 2004
Mr. S. B. Mathur	Ceased	March 4, 2005
<i>From April 2005 to March 2006</i>		
Mr. Sridar Iyengar	Appointed	April 30, 2005
Mr. T.S. Vijayan	Appointed	April 30, 2005
Mr. P.C. Ghosh	Ceased	May 6, 2005
Mr. Uday Chitale	Retired	August 21, 2005
Mr. R. K. Joshi	Appointed	October 13, 2005
Mr. Narendra Murkumbi	Appointed	January 20, 2006
Mr. Somesh Sathe	Retired	January 29, 2006

<i>From April 2006 to March 2007</i>		
Mr. V. Vaidyanathan	Appointed	October 24, 2006
Ms. Lalita D. Gupte	Retired	November 1, 2006
<i>From April 2007 to date</i>		
Ms. Madhabi Puri-Buch	Appointed	June 1, 2007
Ms. Kalpana Morparia	Retired	June 1, 2007

Mr. H. N. Sinor completed his term as Joint Managing Director on May 31, 2003 and retired with effect from June 1, 2003. Mr. S. Mukherji, who was appointed as Executive Director effective May 3, 2002 has ceased to be a member of the Board effective February 1, 2004, consequent to his appointment as Managing Director & CEO of ICICI Securities Limited (now renamed as ICICI Securities Primary Dealership Limited), a subsidiary of ICICI Bank. Ms. Lalita D. Gupte completed her term as Joint Managing Director on October 31, 2006 and retired with effect from November 1, 2006.

The Government of India withdrew the nomination of Ms. Vineeta Rai and nominated Mr. Vinod Rai in her place effective January 3, 2003.

Mr. K. V. Kamath, Ms. Chanda D. Kochhar Dr. Nachiket Mor, Mr. V. Vaidyanathan and Ms. Madhabi Puri-Buch are not liable to retire by rotation. However, in order to comply with the provisions of the Companies Act, 1956, and the Articles of Association, Mr. V. Vaidyanathan and Ms. Madhabi Puri-Buch shall be liable to retire by rotation, if at any time the number of non-rotational Directors exceeds one-third of the total number of Directors. Ms. Kalpana Morparia completed her term as Joint Managing Director of ICICI Bank on May 31, 2007 and retired from our board of directors effective June 1, 2007. She has been appointed Chief Strategy and Communications Officer - ICICI Group for a period of five years effective June 1, 2007. It is proposed that subject to necessary approvals, she would also take over as the Managing Director and Chief Executive Officer of our proposed new subsidiary that would hold our investments in our insurance and asset management businesses. If Mr. V. Vaidyanathan or Ms. Madhabi Puri-Buch are re-appointed as Director immediately on retirement by rotation, they shall continue to hold the office of Executive Director and the retirement by rotation and re-appointment shall not be deemed to constitute a break in their appointment.

Changes in Auditors

Reserve Bank of India *vide* its letter dated July 4, 2003 and the shareholders of ICICI Bank, at their Ninth Annual General Meeting held on August 25, 2003 approved the appointment of S. R. Batliboi & Co., Chartered Accountants as Auditors to audit our accounts for fiscal 2004. Reserve Bank of India *vide* its letter dated May 31, 2004 and the shareholders of ICICI Bank at their Tenth Annual General Meeting held on September 20, 2004 approved the re-appointment of S.R. Batliboi & Co., Chartered Accountants as Auditors to audit the accounts for fiscal 2005. Reserve Bank of India *vide* its letter dated May 31, 2005 and the shareholders of ICICI Bank, at their Eleventh Annual General Meeting held on August 20, 2005 approved the re-appointment of S.R. Batliboi & Co., Chartered Accountants as Auditors to audit the accounts for fiscal 2006.

S.R. Batliboi retired at the Twelfth Annual General Meeting held on July 22, 2006 since they had been our statutory auditors for the last four years, which is the maximum term of appointment of auditors permitted by Reserve Bank of India. Reserve Bank of India *vide* its letter dated April 26, 2006 approved the appointment of BSR & Co., Chartered Accountants as Auditors to audit the accounts for fiscal 2007. The appointment has been approved by the shareholders at their Annual General Meeting held on July 22, 2006.

Reserve Bank of India *vide* its letter dated April 23, 2007 approved the appointment of BSR & Co., Chartered Accountants as Auditors to audit the accounts for fiscal 2008. The approval of the shareholders for their appointment will be sought at the forthcoming Annual General Meeting.

Interest of Directors and Key Managerial Personnel

Except as stated in "Related Party Transactions" on page 168 and to the extent of their shareholding in us, the Directors and Key Managerial Personnel do not have any other interest in our business other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business and to the extent of the Equity Shares held by them in our Bank, if any, and options granted to them under the ESOS (for details of options granted to management, see "Capital Structure" on page 30.)

RELATED PARTY TRANSACTIONS

The Bank has transactions with its related parties comprising of subsidiaries, associates, joint ventures and key management personnel. The following are the significant transactions between the Bank and its related parties.

Insurance services

During the year ended March 31, 2007, the Bank paid insurance premium to insurance joint ventures amounting to Rs. 1,613.5 million (March 31, 2006: Rs. 829.6 million). During the year ended March 31, 2007, the Bank received claims from insurance joint ventures amounting to Rs. 725.4 million (March 31, 2006: Rs. 16.8 million).

Fees and commission

During the year ended March 31, 2007, the Bank received fees from its subsidiaries and joint ventures amounting to Rs. 4,427.2 million (March 31, 2006: Rs. 2,280.5 million) and commission of Rs. 10.7 million (March 31, 2006: Rs. 9.9 million) on account of guarantees and letters of credit issued for subsidiaries.

Lease of premises and facilities

During the year ended March 31, 2007, the Bank charged an aggregate amount of Rs. 711.5 million (March 31, 2006: Rs. 443.7 million) for lease of premises, facilities and other administrative costs to subsidiaries and joint ventures.

Sale / purchase of housing loan portfolio

During the year ended March 31, 2007, the Bank sold housing loan portfolio to its subsidiary amounting to Rs. 13,171.4 million (March 31, 2006: Rs. 37,711.0 million). During the year ended March 31, 2007, the Bank purchased housing portfolio from its subsidiary amounting to Rs. Nil (March 31, 2006: Rs. 18,307.7 million).

Secondment of employees

During the year ended March 31, 2007, the Bank received Rs. 136.3 million (March 31, 2006: Rs. 3.0 million) from subsidiaries and joint ventures for secondment of employees.

Purchase of investments

During the year ended March 31, 2007, the Bank purchased certain investments from its subsidiaries and joint ventures amounting to Rs. 14,186.8 million (March 31, 2006: Rs. 15,255.5 million) and from its associates amounting to Rs. 944.7 million (March 31, 2006: Rs. Nil). During the year ended March 31, 2007, the Bank invested in the equity share capital of its subsidiaries amounting to Rs. 13,584.7 million (March 31, 2006: Rs. 8,217.3 million).

Sale of investments

During the year ended March 31, 2007, the Bank sold certain investments to its subsidiaries and joint ventures amounting to Rs. 8,569.2 million (March 31, 2006: Rs. 6,757.7 million) and to its associates amounting to Rs. Nil (March 31, 2006: Rs. 1,545.0 million). On the sales made to subsidiaries and joint ventures, the Bank accounted for a gain of Rs. 186.4 million (March 31, 2006: Gain of Rs. 16.7 million) and on the sale made to associates, the Bank accounted for a gain of Rs. Nil million (March 31, 2006: Gain of Rs. 10.1 million).

Redemption / Buyback and Conversion of investments

During the year ended March 31, 2007, consideration of Rs. 663.9 million (March 31, 2006: Rs. 1,078.9 million) was received on account of buyback / capital reduction of equity shares by subsidiaries and a gain amounting to Rs. 614.0 million (March 31, 2006: Rs. 620.6 million) was accounted in the books. Units in associates amounting to Rs. 2,795.9 million (March 31, 2006: Rs. 1,162.3 million) were redeemed during the year ended March 31, 2007.

Reimbursement of expenses

During the year ended March 31, 2007, the Bank reimbursed expenses to its subsidiaries amounting to Rs. 2,147.7 million (March 31, 2006: Rs. 3,397.8 million).

Brokerage Expenses

During the year ended March 31, 2007, the Bank paid brokerage to its subsidiaries amounting to Rs. 795.4 million (March 31, 2006: Rs. 13.6 million).

Custodial charges income

During the year ended March 31, 2007, the Bank received custodial charges from its subsidiaries and joint ventures amounting to Rs. 20.4 million (March 31, 2006: Rs. 15.8 million) and from its associates amounting to Rs. 5.7 million (March 31, 2006: Rs. 5.4 million).

Interest expenses

During the year ended March 31, 2007, the Bank paid interest to its subsidiaries and joint ventures amounting to Rs. 513.6 million (March 31, 2006: Rs. 384.2 million) and to its associates amounting to Rs. 1.1 million (March 31, 2006: Rs. Nil).

Interest income

During the year ended March 31, 2007, the Bank received interest from its subsidiaries and joint ventures amounting to Rs. 1,366.2 million (March 31, 2006: Rs. 613.6 million) and from its key management personnel¹ Rs. 0.7 million (March 31, 2006: Rs. 0.5 million).

Other income

During the year ended March 31, 2007, the gain on derivative transactions entered into with subsidiaries and joint ventures was Rs. 537.3 million (March 31, 2006: Gain of Rs. 245.3 million).

Dividend income

During the year ended March 31, 2007, the Bank received dividend from its subsidiaries and joint ventures amounting to Rs. 2,027.8 million (March 31, 2006: Rs. 1,635.6 million) and from its associates amounting to Rs. 2,457.1 million (March 31, 2006: Rs. 1,808.2 million).

Dividend paid

During the year ended March 31, 2007, the Bank paid dividend to its key management personnel¹ amounting to Rs. 4.4 million (March 31, 2006: Rs. 3.2 million).

Remuneration to whole-time directors

Remuneration paid to the whole-time directors of the Bank during the year ended March 31, 2007 was Rs. 87.0 million (March 31, 2006: Rs. 75.9 million).

Lines of credit

As on March 31, 2007, the Bank had issued lines of credit to its subsidiaries amounting to Rs. 2,173.5 million (March 31, 2006: Rs. 4,461.5 million).

Sale of property

During the year ended March 31, 2007, the Bank sold properties to its subsidiaries amounting to Rs. 1,505.7 million (March 31, 2006: Rs. Nil) and a gain amounting to Rs. 769.0 million (March 31, 2006: Rs. Nil) was accounted in the books.

Letter of Comfort

The Bank has issued letters of comfort on behalf of its foreign subsidiaries namely, ICICI Bank UK PLC., ICICI Bank Eurasia LLC and ICICI Bank Canada. The details of the same are given in the table 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.

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On behalf of	To	Purpose
ICICI Bank Canada	Canada Deposit Insurance Corporation ("CDIC")	To comply with the Bank Act and the CDIC regulations or by-laws there under and to indemnify CDIC against all losses, damages, reasonable costs and expenses arising from failure of ICICI Bank Canada in performing the same.
ICICI Bank Eurasia LLC	ICICI Bank UK PLC.	To confirm that ICICI Bank is aware of ICICI Bank UK PLC. granting short-term money, foreign exchange and derivative lines of credit to ICICI Bank Eurasia Limited Liability Company.

Related party balances

The balances payable to / receivable from subsidiaries / joint ventures / associates / key management personnel included in the balance sheet as on March 31, 2007 are given below:

Rupees in million

Items	Subsidiaries / Joint ventures	Associates	Key management personnel ¹	Total
Deposits with ICICI Bank	9,550.6	42.8	79.7	9,673.1
Deposits of ICICI Bank ²	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	..	14.1	510.1
Receivables	1,456.5	..	..	1,456.5
Payables	657.8	..	..	657.8
Repo	..	..	..	..
Reverse repo	..	..	..	..
Guarantees ³	3,449.8	..	..	3,449.8
Letters of comfort ⁴	45,943.5	..	..	45,943.5
Swaps/forward contracts	214,298.9	..	..	214,298.9
Participation certificate	7,193.9	..	..	7,193.9

1. Whole-time directors and relatives.
2. Includes call money lent.
3. Includes letter of undertaking.
4. Excludes letters of comfort issued on behalf of foreign subsidiaries, details of which are given separately.

The maximum balance payable to / receivable from subsidiaries / joint ventures / associates / key management personnel during the year ended March 31, 2007 is given below:

Rupees in million

Items	Subsidiaries / Joint ventures	Associates	Key management personnel ¹	Total
Deposits with ICICI Bank	16,238.9	3,149.0	129.0	19,516.9
Deposits of ICICI Bank ²	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	–	14.1	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 ³	3,870.5	–	–	3,870.5
Letters of comfort ⁴	47,134.5	–	–	47,134.5
Swaps/forward contracts	222,532.4	–	–	222,532.4
Participation certificate	161,522.1	–	–	161,522.1

1. Whole-time directors and relatives.
2. Includes call money lent.
3. Includes letter of undertaking.
4. Excludes letters of comfort issued on behalf of foreign subsidiaries, details of which are given separately.

The balances payable to/ receivable from subsidiaries / joint ventures / associates / key management personnel included in the balance sheet as on March 31, 2006 are given below:

Rupees in million

Items	Subsidiaries / Joint ventures	Associates	Key management personnel ¹	Total
Deposits with ICICI Bank	8,734.8	274.9	25.0	9,034.7
Deposits of ICICI Bank ²	11,339.7	–	–	11,339.7
Call/ Term money lent	179.3	–	–	179.3
Call/ Term money borrowed	–	–	–	–
Advances	1,631.9	–	15.4	1,647.3
Investments of ICICI Bank	29,263.2	14,228.5	–	43,491.7
Investments of related parties in ICICI Bank	447.5	–	4.3	451.8
Receivables	666.0	2.0	–	668.0
Payables	779.2	–	–	779.2
Repo	–	–	–	–
Reverse repo	–	–	–	–
Guarantees ³	3,634.0	–	–	3,634.0
Letters of comfort ⁴	30,059.6	–	–	30,059.6
Swaps/forward contracts	148,404.1	–	–	148,404.1
Participation certificate	2,320.0	–	–	2,320.0

1. Whole-time directors and relatives.
2. Includes call money lent.
3. Includes letter of undertaking.
4. Excludes letters of comfort issued on behalf of foreign subsidiaries, details of which are given separately.

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The maximum balance payable to / receivable from subsidiaries / joint ventures / associates / key management personnel during the year ended March 31, 2006 is given below:

Items	Rupees in million			
	Subsidiaries / Joint ventures	Associates	Key management personnel ¹	Total
Deposits with ICICI Bank	11,331.7	2,160.2	46.1	13,538.0
Deposits of ICICI Bank ²	12,223.9	–	–	12,223.9
Call / Term money lent	11,160.4	–	–	11,160.4
Call / Term money borrowed	7,490.3	–	..	7,490.3
Advances	2,245.8	–	21.2	2,267.0
Investments of ICICI Bank	29,960.3	14,726.8	–	44,687.1
Investments of related parties in ICICI Bank	547.1	–	4.4	551.5
Receivables	798.4	4.1	–	802.5
Payables	3,060.0	0.5	–	3,060.5
Repo	400.3	–	–	400.3
Reverse repo	2,244.7	–	–	2,244.7
Guarantees ³	5,196.3	–	–	5,196.3
Letters of comfort ⁴	30,815.7	–	–	30,815.7
Swaps/forward contracts	207,739.7	–	–	207,739.7
Participation certificate	2,320.0	–	–	2,320.0

1. Whole-time directors and relatives.
2. Includes call money lent.
3. Includes letter of undertaking.
4. Excludes letters of comfort issued on behalf of foreign subsidiaries, details of which are given separately.

Subsidiaries and joint ventures

ICICI Venture Funds Management Company Limited, ICICI Securities Primary Dealership Limited (formerly known as ICICI Securities Limited), ICICI Securities Limited (formerly known as ICICI Brokerage Services Limited), ICICI International Limited, ICICI Trusteeship Services Limited, ICICI Home Finance Company Limited, ICICI Investment Management Company Limited, ICICI Securities Holdings Inc., ICICI Securities Inc., ICICI Bank UK Plc., ICICI Bank Canada, ICICI Prudential Life Insurance Company Limited, ICICI Lombard General Insurance Company Limited, ICICI Prudential Asset Management Company Limited (formerly known as Prudential ICICI Asset Management Company Limited), ICICI Prudential Trust Limited (formerly known as Prudential ICICI Trust Limited), ICICI Bank Eurasia Limited Liability Company, TCW/ICICI Investment Partners, L.L.C., TSI Ventures (India) Private Limited and ICICI Wealth Management Inc.

Associates

ICICI Equity Fund, ICICI Eco-net Internet and Technology Fund, ICICI Emerging Sectors Fund, ICICI Strategic Investments Fund, ICICI Property Trust.

DIVIDEND POLICY

We have paid dividends consistently for every fiscal year from fiscal 1996, the second year of our operations, to fiscal 2006. For fiscal 2007, we have declared a dividend, excluding dividend tax, of Rs. 10.00 per equity share aggregating to Rs. 8.99 billion. This is subject to the approval of our shareholders at the AGM scheduled on July 21, 2007.

The following table sets forth, for the periods indicated, the dividend per equity share and the total amount of dividend paid out by us on equity shares for the fiscal year, each exclusive of dividend tax.

Dividend paid for the fiscal year	Dividend per equity share	Total amount of dividend paid (in billions)
2003	Rs. 7.50	Rs. 4.60
2004	7.50	5.51
2005	8.50	6.29
2006	8.50	7.58
2007 ¹	10.00	8.99

1. Proposed. The Register of Members and the Share Transfer Book of the Bank will remain closed from Saturday, June 16, 2007 to Saturday, July 14, 2007 (both days inclusive). A dividend of Rs.10/- per equity share of Rs.10/- each (100%) as recommended by the Board of Directors of the Bank for the year ended March 31, 2007, if declared by the Members at the AGM, will be paid on and from Monday, July 23, 2007 to those Members, holding shares in physical form, whose names appear on the Register of Members of the Bank, at the close of business hours on Saturday, July 14, 2007 after giving effect to all valid transfers in physical form lodged with the Bank and/or its Registrar and Transfer Agent on or before Friday, June 15, 2007; and in respect of shares held in electronic form, on the basis of beneficial ownership as per the details furnished by National Securities Depository Limited and Central Depository Services (India) Limited at the close of business hours on Friday, June 15, 2007. In terms of the directives of Securities and Exchange Board of India, shares issued by companies should rank *pari passu* in all respects, including dividend entitlement, and accordingly, the equity shares allotted/ to be allotted by the Bank during the period April 1, 2007 to June 15, 2007 under the ICICI Bank Employees Stock Option Scheme will be entitled for full dividend for the financial year ended March 31, 2007, if declared at the Meeting.

Future dividends will depend upon our revenues, cash flow, fiscal condition and other factors. Pursuant to guidelines issued by the SEBI in February 2000, dividend declared is payable on all equity shares outstanding on the record date for the purpose of payment of dividend, irrespective of the date of issuance of the equity shares.

Before paying any dividend on our shares, we are required under the Banking Regulation Act to write off all capitalised expenses (including preliminary expenses, organisation expenses, share-selling commission, brokerage, amounts of losses incurred or any other item of expenditure not represented by tangible assets). Before declaring dividends, we are required to transfer at least 20.0% of the balance of profits of each year before payment of dividend to a reserve fund. The Government of India may, however, on the recommendation of RBI, exempt us from such a requirement. See also "Regulations and Policies - Restrictions on Payment of Dividends" on page 123.

Auditors Report

The Board of Directors
ICICI Bank Limited
ICICI Towers
Bandra Kurla Complex
Mumbai 400 051.

23 June 2007

Dear Sirs,

Auditors' Report on Financial Information in relation to the Offer Document prepared by ICICI Bank Limited (the 'Bank'), in connection with the proposed follow-on public offering of equity securities 'proposed equity issue' by the Bank.

- 1 We have examined the attached financial information of ICICI Bank Limited ('ICICI Bank' or the 'Bank') and the consolidated financial information of ICICI Bank and its subsidiaries and joint ventures (together referred to as 'Group'), as approved by the Board of Directors of the Bank, prepared in terms of the requirements of Paragraph B, Part II of Schedule II of the Companies Act, 1956 ("the Act") and Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 (the 'Guidelines') issued by the Securities and Exchange Board of India ('SEBI') as amended till 30 April 2007, in pursuance of Section 11 of the Securities and Exchange Board of India Act, 1992, to the extent they are not inconsistent with the Banking Regulation Act, 1949 and terms of our engagement agreed with you in accordance with our letter dated 9 May 2007 in connection with the proposed equity issue of the Bank.
- 2 This information has been prepared by management from the financial statements for the year ended 31 March 2003, 31 March 2004, 31 March 2005, 31 March 2006 and 31 March 2007. Audit for the financial year ended 31 March 2007 has been conducted by us. Audit for the financial year ended 31 March 2003, 31 March 2004, 31 March 2005 and 31 March 2006 was conducted by previous auditors as stated below:

Year ended	Name of Auditors
31 March 2003	Jointly by M/s. N. M. Rajji and Co, Chartered Accountants and M/s S R Batliboi and Co., Chartered Accountants
31 March 2004	M/s S R Batliboi and Co., Chartered Accountants
31 March 2005	M/s S R Batliboi and Co., Chartered Accountants
31 March 2006	M/s S R Batliboi and Co., Chartered Accountants

Accordingly, we have placed reliance on the standalone and consolidated financial information of the Bank examined by them for the said years. The financial report included for above years is based solely on the report submitted by them.

- 3 The previous auditors for the respective years had submitted their report on the financial information as indicated in the table below

Year ended	Name of Auditors	Report Date
31 March 2003	Jointly by M/s. N. M. Raiji and Co. Chartered Accountants and M/s S R Batliboi and Co. Chartered Accountants	24 July 2003
31 March 2004, 31 March 2005 and 31 March 2006	M/s S R Batliboi and Co., Chartered Accountants	19 July 2006

- (i) The previous auditors' have reported that -
- the 'adjusted profits' of ICICI Bank for the financial year ended, 31 March 2003, 31 March 2004, 31 March 2005 and 31 March 2006 and the assets and liabilities as at 31 March 2003, 31 March 2004, 31 March 2005 and 31 March 2006 are as set out in Part I and Part II of Annexure A, and that these adjusted profits read together with the notes appearing under the Statement of Profits and Statement of Assets and Liabilities, along with accounting policies followed, have been arrived at after charging all expenses and making adjustments and regroupings and are, in their opinion, appropriate.
 - as mentioned in notes appearing under the Statement of Profits and Statement of Assets and Liabilities of Annexure A, management has not recomputed the profits and losses, for any changes in accounting policy as stated in Part I of Annexure A in each of the accounting years preceding the change. Adjustments to profits for those items have been made prospectively from the year of change.*
- (ii) For the purpose of our report, we have relied on their reports and the 'adjusted profits' of ICICI Bank for the financial year ended 31 March 2003, 31 March 2004, 31 March 2005 and 31 March 2006 as set out in Part I of Annexure A of their reports. These balances are incorporated in Part I of Annexure A in our report.

- 4 We have examined the standalone and consolidated financial information of the Bank for the financial year ended 31 March 2007 prepared by management from the audited financial statements for the year ended 31 March 2007.

The standalone and consolidated financial information of the above period was examined to the extent applicable for the purpose of audit of financial information in accordance with the Auditing and Assurance Standards issued by the Institute of Chartered Accountants of India. Those standards require that we plan and perform our audit to obtain reasonable assurance, whether the financial information under examination is free of material misstatement.

Based on the above, we report that in our opinion and according to the information and explanations given to us, we have found the same to be correct and the same have been used in the standalone and consolidated financial information appropriately.

- 5 We did not audit the financial statements of the Singapore branch of the Bank for the year ended 31 March 2007, whose financial statements reflect total assets of Rs 204,336 million as at March 31, 2007 and total revenues of Rs 12,610 million for the year then ended. These financial statements have been audited by KPMG, Singapore, 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 in so far as it relates to the amounts included in these standalone and consolidated Statements of Asset and Liabilities and standalone and consolidated Statements

ICICI BANK LIMITED

of Profit.

- 6 We did not audit the financial statements of the below mentioned subsidiaries and joint ventures of ICICI Bank for the year ended 31 March 2007, whose financial statements reflect total assets of Rs. 494,193 million and total revenues of Rs. 130,967 million for the year then ended. These financial statements have been audited by other auditors, whose reports have been furnished to us and our opinion in so far as it relates to the amounts included in these consolidated Statement of Asset and Liabilities and consolidated Statement of Profit are based solely on the reports of the other auditors-

Name of the Subsidiary

Name of the Auditor

ICICI Securities Limited (the Group)

S. R. Batliboi & Co.Chartered Accountants

ICICI Home Finance Company Limited

S. R. Batliboi & Co.Chartered Accountants

ICICI International Limited, Mauritius

Horwath Mauritius Chartered Accountants

(Formerly TDICI Investment Management Co.)

ICICI Trusteeship Services Limited

C.C.Chokshi & Co.Chartered Accountants

ICICI Investment Management Company Limited

S.B. Billimoria & Co.Chartered Accountants

ICICI Venture Funds Management

S.B. Billimoria & Co.Chartered Accountants

Company Limited (Formerly TDICI Limited)

ICICI Bank UK Plc

KPMG Audit PLC

(Formerly ICICI Bank UK Limited)

ICICI Prudential Trust Limited

N. M. Rajji & Co.Chartered Accountants

(Formerly Prudential ICICI Trust Limited)

ICICI Econet Fund

S. R. Batliboi & Co.Chartered Accountants

ICICI Equity Fund

S. R. Batliboi & Co.Chartered Accountants

ICICI Emerging Sectors Fund

S. R. Batliboi & Co.Chartered Accountants

ICICI Strategic Investment Fund

Hari & Vasu Chartered Accountants

Name of Joint Venture

ICICI Prudential Life Insurance Company Limited

Walker, Chandiok & Co./Haribhakti & Co. Chartered Accountants

ICICI Lombard General Insurance
Company Limited

N.M.Rajji & Co Chartered Accountants/Lodha & Co .
Chartered Accountants

TCW / ICICI Investment Partners LLC

Horwath Mauritius Chartered Accountants

- 7 We have relied on the unaudited financial statements of certain subsidiaries for the year ended 31 March 2007. These unaudited financial statements as approved by the respective Board of Directors of these companies have been furnished to us by the management of the Bank. The unaudited financial statements of these subsidiaries reflect total assets of Rs 97,040 million as at March 31, 2007, and total revenues of Rs 4,091 million for the year then ended.

Name of the unaudited subsidiary for the year ended 31 March 2007

ICICI Property Trust

ICICI Bank Eurasia L.L.C

ICICI Bank Canada

8 In accordance with the requirements of Paragraph B of Part II of Schedule II of the Act, the SEBI guidelines and terms of our engagement agreed with you, we further report that:

- a) *Subject to the comment in paragraph 3(i)b the effect whereof is not ascertainable*, the annexed standalone Statement of Profit of the Bank and consolidated Statement of Profit of the Group including for the year ended 31 March 2003, 31 March 2004, 31 March 2005 and 31 March 2006 examined by other auditors as referred to in paragraph 3, who have submitted their report on which reliance has been placed by us, all together as set out in Part I and Part IX of Annexure A to this report are after making adjustments and regrouping, as in our opinion were appropriate and more fully described in Notes appearing in the above Annexures;
- b) As mentioned in the notes appearing under the Statement of Profits to Part I of Annexure A , it has not been possible for management of the Bank to determine the effects on profits, if changes in accounting policies as stated in Part I of Annexure A had been made in each of the accounting years preceding the change and accordingly, adjustments to profits for those items have been made only in the year of change.
- c) *Subject to our comment in the paragraph 8 b above ,the effect whereof is not ascertainable*, we confirm that the standalone Statement of Profit of the Bank and consolidated Statement of Profit of the Group for the year ended 31 March 2007 and the standalone Statement of Assets and Liabilities of the Bank and consolidated Statement of Assets and Liabilities of the Group as at 31 March 2007, as examined by us and as set out in Part I and IX of Annexure A and Part II and X of Annexure A respectively, to this report, have been arrived at after charging all expenses and making adjustments and regroupings, as in our opinion are appropriate and more fully described in Notes appearing in the above Annexures.
- d) Based on above and also as per the reliance placed on the reports submitted by the previous auditors and report submitted by other auditors for subsidiaries and joint ventures, for the respective years/period and *subject to the comment in paragraph 8 a and 8 c above*, we are of the opinion that the financial information have been made after incorporating–
 - i. adjustments for the material amounts in the respective financial years to which they relate; and
 - ii. there are no extra-ordinary items that need to be disclosed separately in the accounts and qualification requiring adjustments.
- e) We have also examined the following other financial information set out in Part III to XII of Annexure A prepared by management and approved by the Board of Directors relating to the Bank. In respect to the year ended 31 March 2003, 31 March 2004, 31 March 2005 and 31 March 2006 the information has been included based upon the reports submitted by the previous auditors as referred in paragraph (3) and relied upon by us and in respect of the year ended 31 March 2007, the information is based upon our examination of the financial information:
 - i. the Statement of Dividends (subject to deduction of tax at source where applicable) declared by ICICI Bank for the financial year ended 31 March 2003, 31 March 2004, 31 March 2005, 31 March 2006 and 31 March 2007 as set out in Part III of Annexure A enclosed;
 - ii. the Cash-flow Statement of ICICI Bank for each of the financial year ended 31 March 2003, 31 March 2004, 31 March 2005, 31 March 2006 and 31 March 2007 as set out in Part IV of Annexure A enclosed;

ICICI BANK LIMITED

- iii. the Capitalization Statement as at 31 March 2007 of ICICI Bank as set out in Part V of Annexure A enclosed;
- iv. the Statement of Unsecured Borrowings of ICICI Bank as at 31 March 2003, 31 March 2004, 31 March 2005, 31 March 2006 and 31 March 2007 as set out in Part VI of the Annexure A enclosed. The Unsecured Borrowings of the Bank comprises of Borrowing as reported in Schedule 4 and Subordinated Debts as reported in Schedule 5 of the financial statements of the Bank for each of the above mentioned years;
- v. the statement of tax shelter of ICICI Bank for each of the five financial years ended 31 March 2007 as prepared by the management of the Bank as set out in Part VII of the Annexure A;
- vi. the Statement of Accounting Ratios of ICICI Bank as at 31 March 2003, 31 March 2004, 31 March 2005, 31 March 2006 and 31 March 2007 as set out in Part VIII of the Annexure A enclosed;
- vii. the consolidated Cash-flow statement of the Group for each of the financial year ended 31 March 2003, 31 March 2004, 31 March 2005, 31 March 2006 and 31 March 2007 as set out in Part XI of Annexure A enclosed;
- viii. the consolidated Statement of Borrowings of the Group as at 31 March 2003, 31 March 2004, 31 March 2005, 31 March 2006 and 31 March 2007 as set out in Part XII of the Annexure A enclosed. The Borrowings of the Group comprises of Borrowing as reported in Schedule 4 and Subordinated Debts as reported in Schedule 5 of the consolidated financial statements of the Group for each of the above mentioned years

In our opinion the financial information contained in Part III to XII of Annexure A of this report read along with the significant accounting policies and Notes (refer Part II and X of Annexure A) and our comment in paragraph 8a, 8b, 8c and 8d have been prepared in accordance with Part IIB of Schedule II of the Act and the Guidelines.

- 9 Our report is intended solely for use of the management and for inclusion in the Offer Document in connection with the proposed equity issue by the Bank. Our report should not be used for any other purpose except with our consent in writing.

For BSR & Co.
Chartered Accountants

Bhavesh Dhupelia
Partner
Membership No: 042070
Mumbai

Part I of Annexure A
STATEMENT OF PROFITS

(Rs. in million)

	Year ended March 31,				
	2003	2004	2005	2006	2007
Interest income					
Interest / discount on advances / bills	61,731.4	63,801.0	71,219.5	102,065.9	160,963.1
Income on investments	29,104.4	25,400.9	22,294.4	36,927.6	59,885.4
Interest on balances with Reserve Bank of India and other inter-bank funds	2,355.7	2,106.4	2,320.1	3,354.6	8,085.6
Others	2,058.1	1,778.1	1,956.2	713.2	1,008.8
Total interest income (A)	95,249.6	93,086.4	97,790.2	143,061.3	229,942.9
Other income					
Commission, exchange and brokerage	7,917.9	10,718.0	19,210.0	30,019.6	43,308.6
Profit / (loss) on sale of investments (net)	4,923.3	12,246.3	5,461.4	7,497.5	11,152.4
Profit / (loss) on revaluation of investments (net) ¹	(1,362.1)	(1,083.5)	(2,765.8)	(8,557.3)	(10,337.8)
Profit / (loss) on exchange transactions (net)	102.4	1,926.3	3,146.4	4,730.8	6,439.6
Profit on sale of shares of ICICI Bank Limited held by erstwhile ICICI Limited	11,910.5	-	-	-	-
Income earned by way of dividends, etc. from subsidiary companies and/or joint ventures abroad/ in India	1,094.2	1,261.7	1,880.8	3,386.9	4,484.9
Lease income	5,374.2	4,210.7	4,077.6	3,606.4	2,378.7
Profit/loss on sale of fixed assets	(65.0)	(32.0)	(20.8)	71.2	1,152.2
Miscellaneous income	329.6	318.2	407.0	1,053.8	713.1
Total other income (B)	30,225.0	29,565.7	31,396.6	41,808.9	59,291.7
Total income (C)=(A) + (B)	125,474.6	122,652.1	129,186.8	184,870.2	289,234.6
Interest expended					
Interest on deposits	24,797.1	30,230.2	32,520.7	58,366.8	116,477.1
Interest on Reserve Bank of India / inter-bank borrowings	1,833.7	2,293.7	2,527.7	9,254.2	13,001.0
Others (including interest on borrowings of erstwhile ICICI Limited)	52,809.2	37,628.6	30,660.5	28,353.5	34,106.9
Total Interest expended (D)	79,440.0	70,152.5	65,708.9	95,974.5	163,585.0
Operating expenses					
Employee expenses	4,030.2	5,460.6	7,374.1	10,822.9	16,167.5
Depreciation on fixed assets (incl. Lease Assets)	5,059.4	5,394.4	5,903.6	6,237.9	5,447.8
Establishment and other expenses	12,596.3	17,919.8	23,405.0	32,950.7	45,290.3
Total operating expenses (E)	21,685.9	28,774.8	36,682.7	50,011.5	66,905.6
Total expenses (F)=(D)+(E)	101,125.9	98,927.3	102,391.6	145,986.0	230,490.5

ICICI BANK LIMITED
(Rs. in million)

	Year ended March 31,				
	2003	2004	2005	2006	2007
Net income before provisions (C)-(F)	24,348.7	23,724.8	26,795.2	38,884.2	58,744.0
Less :					
Provision for taxes (net of deferred tax) ²	(4,257.9)	2,651.1	5,220.0	5,565.3	5,378.2
Provision for non-performing assets (net) and prudential provision on standard assets	14,749.8	4,591.2	(1,213.6)	7,947.3	21,593.0
Other provisions [including additional depreciation / (write-back of depreciation) on investments]	1,795.0	111.5	2,736.8	(29.1)	670.6
Total provisions	12,286.9	7,353.8	6,743.2	13,483.5	27,641.8
Net profit after tax	12,061.8	16,371.0	20,052.0	25,400.7	31,102.2

Adjustments as per SEBI guidelines
(Rs. in million)

	Year ended March 31,				
	2003	2004	2005	2006	2007
Profit for the period	12,061.8	16,371.0	20,052.0	25,400.7	31,102.2
Add/(Less) :-					
1) Adjustment for change in methodology for ascertaining carrying cost of investments, accounting for repurchase transactions and review of useful life of ATMs ¹	(161.20)	-	-	-	-
2) Adjustment for change in accounting policy relating to Unrealised gains on rupee derivatives ²	-	-	(467.29)	-	-
3) Tax effect for the above adjustments	59.24	-	171.00	-	-
Adjusted profit after tax	11,959.8	16,371.0	19,755.7	25,400.7	31,102.2

Notes to 'Statement of Profits'

Shown net of premium amortisation on Government securities as per RBI circular no. DBOD.BP.BC./21.04.141/2006-07 issued on April 20, 2007.

Includes income tax, wealth tax and fringe benefit tax.

Figures of the previous years have been regrouped to conform to the current period presentation.

Notes to 'Adjustments as per SEBI guidelines'

Effective April 1, 2002, the Bank has changed the methodology for ascertaining the carrying cost of fixed income bearing securities from weighted average method to first-in-first-out method. Since there are a large number of transactions in the securities portfolio the impact of the change in each of the year preceding the accounting year cannot be ascertained.

Effective April 1, 2002, the Bank has accounted for repurchase transactions as a sale and a forward purchase or purchase and a forward sale transaction as against borrowing or lending transaction. Since there are a large number of transactions in the securities portfolio the impact of the change in each of the years preceding the accounting year cannot be ascertained.

Effective April 1, 2002, the Bank depreciated Automated Teller Machines (ATMs) over its useful life estimated at six years or over lease period for ATMs taken on lease. Effective April 1, 2002, the Bank revised the useful lives of the ATM's to eight years based on an evaluation done by management. This is a change in an accounting estimate.

Effective April 1, 2004, the Bank have accounted for unrealised gains on rupee derivatives (net of provisions) as compared to its earlier policy of ignoring the unrealised gains. The impact of the change in each of the year preceding the accounting year cannot be ascertained.

Effective April 1, 2004 the commissions paid to direct marketing agents (DMAs) of auto loans, net of subvention income received from them is recorded upfront in the profit and loss account.

Effective April 1, 2005, the Bank has aligned its accounting policy for subvention income with its accounting policy for direct marketing agency/associate expenses. Accordingly subvention income has been accounted for in the period in which it is received instead of over the period of the loan.

It has not been possible to determine the effect on profits if changes in accounting policies stated above had been made in each of the accounting years preceding the change and accordingly adjustments to profits for those items have not been made.

Part II of Annexure A

STATEMENT OF ASSETS AND LIABILITIES

(Rs. in million)

	As on March 31, 2007
Assets:	
Cash in Hand (including foreign currency notes)	20,669.6
Balance with RBI in current accounts	166,399.2
Balance with Banks and Money at Call and Short Notice	
I. In India	
i) Balances with banks	
a) in Current Accounts	7,778.7
b) in Other Deposit Accounts	12,583.0
ii) Money at call & short notice	
a) with banks	1,000.0
b) with other institutions	-
Total in India (A)	21,361.7
II. Outside India	
i) in Current Accounts	15,930.5
ii) in Other Deposit Accounts	114,269.0
iii) Money at call & short notice	32,583.3
Total outside India (B)	162,782.8
Total balances with banks and money at call and short notice (A + B)	184,144.5
Investments (net of provisions)	
I. Investments in India	
i) Government securities	673,681.7
ii) Other approved securities	0.6
iii) Shares (includes equity and preference shares)	19,372.6
iv) Debentures and Bonds	24,628.2
v) Subsidiaries and/or joint ventures	26,071.8
vi) Others (Commercial Papers, Mutual Fund Units, etc.)	123,785.2
Total investments in India	867,540.1
II. Investments outside India	45,038.3
Total investments (net of provisions)	912,578.4
Advances (net of provisions)	
I. In India	1,714,555.9
II. Outside India	244,100.1
Total advances (net of provisions)	1,958,656.0

(Rs. in million)

	As on March 31, 2007
Fixed Assets (incl. lease assets)	39,234.2
Others Assets	164,899.2
Total Assets	3,446,581.1
Liabilities and capital	
Demand Deposits	
- From Banks	4,648.9
- From Others	209,107.6
Saving Bank Deposits	288,387.9
Term Deposits	
- From Banks	145,787.9
- From Others	1,657,169.6
Total deposits	2,305,101.9
Borrowings	
I. In India	
i) Reserve Bank of India	-
ii) Other banks	42,668.6
iii) Other institutions and agencies	
a) From Government of India	2,171.9
b) From Financial Institutions	36,708.1
iv) Borrowings in the form of :-	
a) Deposits taken over from erstwhile ICICI Limited	-
b) Bonds & Debentures (excluding subordinated debt) :-	
1) Debentures & Bonds guaranteed by the Government of India	14,815.0
2) Borrowings under private placement of bonds carrying maturity of one to thirty years from the date of placement	6,784.8
3) Bonds Issued under multiple option/safety bonds series	31,028.0
Total borrowing in India	134,176.4
II. Outside India	378,383.9
Total borrowing	512,560.3
Other Liabilities & Provisions	188,235.3
Unsecured Redeemable Debenture/Bonds (Subordinated for Tier-II capital)	194,051.1
Total Liabilities	3,199,948.6
Share capital :	
Issued, Subscribed and Paid up (net of calls unpaid)[Refer note (1) (a) to (c)]	8,993.4
Preference Share Capital [Refer note (2) and (3)]	3,500.0
350 Shares of Rs. 1,00,00,000/- each	
Total Share capital	12,493.4

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	(Rs. in million)
	As on March 31, 2007
Reserves and surplus :	
Statutory Reserves	28,787.3
Special Reserve	19,190.0
Share Premium (net of share issue expenses) [Refer note 4(a)]	120,154.9
Capital Reserves	6,740.0
Foreign currency translation reserves	(501.2)
Reserve Fund [Refer note 4(b)]	1.4
Revenue & other reserves [Refer Note (5)]	49,784.1
Balance in profit & loss account	9,982.7
Total reserves and surplus	234,139.2
Total Liabilities, share capital and reserves	3,446,581.1

NOTES:

- (1) Includes:-
- 110,967,096 equity shares of Rs.10 each issued vide prospectus dated December 8, 2005.
 - 37,237,460 equity shares of Rs.10 each fully paid up issued consequent to issue of 18,618,730 American depository shares (ADS) vide prospectus dated December 6, 2005.
 - 9,487,051 equity shares of Rs. 10 each fully paid up on exercise of employee stock options exercised during the year ended March 31, 2007.
- (2) 350 preference shares of ICICI Bank allotted as fully paid preference shares to preference shareholders of erstwhile ICICI Limited on amalgamation redeemable at par on April 20, 2018.
- (3) For these preference shares, the notification dated April 17, 2002 from Ministry of Finance, Government of India, issued on the recommendation of Reserve Bank of India (RBI), under Section 53 of the Banking Regulation Act, 1949 had exempted the Bank from the restriction of section 12(1) of the Banking Regulation Act, 1949, which prohibits the issue of preference shares by banks, for a period of five years. The Bank has applied to the RBI for making a recommendation to Central Government for continuation of such exemption.
- (4) Includes:
- Rs. 1,901.9 million on exercise of employee stock options.
 - Represents appropriation of 5% of net profit by Sri Lanka branch to meet the requirements of Section 20 of Sri Lanka Banking Act No. 30 of 1988.
- (5) Includes 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.

	(Rs. in million)
CONTINGENT LIABILITIES	As on March 31, 2007
i) Claim against Bank not acknowledged as debts	39,115.9
ii) Liability for partly paid investments	168.5
iii) Liability on account of outstanding forward exchange contracts	1,331,560.4
iv) Guarantees given on behalf of constituents	292,119.1
v) Acceptances, endorsements & other obligations	186,706.7
vi) Currency Swaps	325,260.4
vii) Interest rate Swaps	3,346,921.7
viii) Other items for which Bank is contingently liable	107,746.4
Total contingent liabilities	5,629,599.1
Bills for collection	40,465.6

Significant accounting policies and notes to accounts

OVERVIEW

ICICI Bank Limited ("ICICI Bank" or "the Bank"), incorporated in Vadodara, India is a publicly held banking company engaged in providing a wide range of banking and financial services including commercial banking and treasury operations. ICICI Bank is a banking company governed by the Banking Regulation Act, 1949.

Basis of preparation

The financial statements have been prepared in accordance with statutory requirements prescribed under the Banking Regulation Act, 1949. The accounting and reporting policies of ICICI Bank used in the preparation of these financial statements conform to Generally Accepted Accounting Principles 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.

A. SIGNIFICANT ACCOUNTING POLICIES

1. Revenue recognition

- a) Interest income is recognised in the profit and loss account as it accrues except in the case of non-performing assets ("NPAs") where it is recognised, upon realisation, as per the prudential norms of RBI.
- b) Income from hire purchase operations is accrued by applying the implicit interest rate on outstanding balances.
- c) Income from leases is calculated by applying the interest rate implicit in the lease to the net investment outstanding on the lease over the primary lease period. Leases entered into till March 31, 2001 have been accounted for as operating leases. Leases effective from April 1, 2001 are accounted as advances at an amount equal to the net investment in the lease. The lease rentals are apportioned between principal and finance income based on a pattern reflecting a constant periodic return on the net investment outstanding in respect of finance lease. The principal amount is recognised as repayment of advances and the finance income is reported as interest income.
- d) Income on discounted instruments is recognised over the tenure of the instrument on a constant yield basis.
- e) Dividend is accounted on an accrual basis when the right to receive the dividend is established.
- f) 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 in interest income. With effect from February 1, 2006, net income arising from securitisation of loan assets is amortised over the life of securities issued or to be issued by the special purpose vehicle/special purpose entity to which the assets are sold. Net income arising from sale of loan assets through direct assignment, 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 securities acquired is amortised over the remaining period to maturity on constant yield basis.
- 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 and other approved securities ("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 than government and other approved securities ("non-SLR" securities), other than those quoted on the stock exchanges, wherever linked to the Yield-to-Maturity ("YTM") rates, is computed with a mark-up (reflecting associated credit risk) over the YTM rates for government securities published by Fixed Income Money Market and Derivatives Association.

Unquoted equity shares are valued at the book value, if the latest balance sheet is available or at Re. 1 as per RBI guidelines.

Securities are valued scrip-wise and depreciation/appreciation 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 instruments, other than government and other approved securities, prescribed by RBI from time to time. Accordingly, in cases where the security receipts issued by the asset reconstruction company are limited to the actual realisation of the financial assets assigned to the instruments in the concerned scheme, the Bank reckons the net asset value obtained from the asset reconstruction company from time to time, for valuation of such investments at each reporting period / year end.
- j) The Bank follows trade date method for accounting of its investments.

3. Provisions / Write-offs on loans and other credit facilities

- a) All credit exposures are classified as per RBI guidelines, into performing and non-performing assets ("NPAs"). Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by RBI. In the case of corporate loans, provisions are made for sub-standard and doubtful assets at rates prescribed by RBI. Loss assets and the unsecured portion of doubtful assets are provided / written off as per the extant RBI guidelines. Subject to the minimum provisioning levels prescribed by RBI, provision on homogeneous retail loans is assessed at a portfolio level, on the basis of days past due.
- b) For restructured / rescheduled assets, provision is made in accordance with the guidelines issued by RBI, which requires 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 90 days on a graded scale ranging from 0.25% to 100%. For exposures with contractual maturity of less than 90 days, 25% of the 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 maintained on such country exposure.

4. Transfer and servicing of assets

The Bank transfers commercial and consumer loans through securitisation transactions. The transferred loans are de-recognised and gains/losses, net of provisions, are accounted for only if the Bank surrenders the rights to benefits specified in the loan contract. Recourse and servicing obligations are reduced from proceeds of the sale. Retained beneficial interests in the loans is measured by allocating the carrying value of the loans between the assets sold and the retained interest, based on the relative fair value at the date of the securitisation.

In accordance with the RBI guidelines, with effect from February 1, 2006, the Bank accounts for any loss arising 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.

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	16.67%
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. Foreign currency transactions

Foreign currency income and expenditure items of domestic operations are translated at the exchange rates prevailing on the date of the transaction. Income and expenditure items of integral foreign operations (representative offices) are translated at weekly average closing 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 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 in-between maturities. The resultant gains or losses are recognised in the profit and loss account.

Contingent liabilities on account of guarantees, endorsements and other obligations denominated in foreign currencies are disclosed at the closing exchange rates notified by 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 and cross currency interest rate swaps for hedging or for trading purposes.

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 are 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 the grant of equity shares of the Bank to its employees. The Scheme provides that employees are granted an option to acquire equity shares of the Bank that vests in a graded manner. The options may be exercised within a specified period. The Bank follows the intrinsic value method to account for its stock-based employees compensation plans. Compensation cost is measured by the excess, if any, of the fair market price of the underlying stock over the exercise price 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 prices 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.

9. Staff Retirement Benefits

Gratuity

ICICI Bank pays gratuity to employees who retire or resign after a minimum period of five years of continuous service. ICICI Bank makes contributions to three separate gratuity funds, for employees inducted from erstwhile ICICI Limited (erstwhile ICICI), employees inducted from erstwhile Bank of Madura and employees of ICICI Bank other than employees inducted from erstwhile ICICI and erstwhile Bank of Madura.

Separate gratuity funds for employees inducted from erstwhile ICICI and erstwhile Bank of Madura are managed by ICICI Prudential Life Insurance Company Limited. Actuarial valuation of the gratuity liability is determined by an actuary appointed by ICICI Prudential Life Insurance Company Limited. The investments of the funds are made according to rules prescribed by the Government of India. The gratuity fund for employees of ICICI Bank, other than employees inducted from erstwhile ICICI and erstwhile Bank of Madura, is administered by the Life Insurance Corporation of India and ICICI Prudential Life Insurance Company Limited. In accordance with the gratuity fund's rules, actuarial valuation of gratuity liability is calculated based on certain assumptions regarding rate of interest, salary growth, mortality and staff attrition as per the projected unit credit method.

As per the transition provision of AS 15 (Revised) on "Accounting for retirement benefits in financial statements of employer", the difference in the liability on account of gratuity benefits created by the Bank at March 31, 2006 due to the revised standard have been included in Schedule 2 ("Reserves and Surplus").

Superannuation Fund

ICICI Bank contributes 15.0% of the total annual salary of each employee to a superannuation fund for ICICI Bank employees. ICICI Bank's employees get an option on retirement or resignation to receive one-third of the total balance and a monthly pension based on the remaining two-third balance. In the event of death of an employee, his or her beneficiary receives the remaining accumulated two-third balance. ICICI Bank also gives cash option to its employees, allowing them to receive the amount contributed by ICICI Bank in their monthly salary during their employment.

Upto March 31, 2005, the superannuation fund was administered solely by the Life Insurance Corporation of India. Subsequent to March 31, 2005, the fund is being administered by both Life Insurance Corporation of India and ICICI Prudential Life Insurance Company Limited. Employees 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. The plan provides for a pension payment on a monthly basis to these employees on their retirement based on the respective employee's salary and years of employment with the Bank. Employees covered by the pension plan are not eligible for benefits under the provident fund plan, a defined contribution plan.

As per the transition provision of AS 15 (Revised) on "Accounting for retirement benefits in financial statements of employer", the difference in the liability on account of pension benefits created by the Bank at March 31, 2006 due to the revised standard have been included in Schedule 2 ("Reserves and Surplus").

Provident Fund

ICICI Bank is statutorily required to maintain a provident fund as a part of its retirement benefits to its employees. There are separate provident funds for employees inducted from erstwhile Bank of Madura (other than those employees who have opted for pensions), and for other employees of ICICI Bank. These funds are managed by in-house trustees. Each employee contributes 12.0% of his or her basic salary (10.0% for clerks and sub-staff of erstwhile Bank of Madura) and ICICI Bank contributes an equal amount to the funds. The investments of the funds are made according to rules prescribed by the Government of India.

Leave encashment

The Bank provides for leave encashment benefit, which is a defined benefit scheme, based on actuarial valuation as at the balance sheet date conducted by an independent actuary.

As per the transition provision of AS 15 (Revised) on "Accounting for retirement benefits in financial statements of employer", the difference in the liability on account of leave encashment benefits created by the Bank at March 31, 2006 due to the revised standard have been included in Schedule 2 ("Reserves and Surplus").

10. Income Taxes

Income tax expense is the aggregate amount of current tax, deferred tax and fringe benefit tax charge. The annual income tax provision is based on the tax liability determined in accordance with 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 the deferred tax assets and liabilities is recognised in the profit and loss account.

Deferred tax assets are recognised and reassessed at each reporting date, based upon management's judgement as to whether realisation is considered as reasonably certain. Deferred tax assets are recognised on carry forward of unabsorbed depreciation, tax losses and carry forward capital losses, only if there is virtual certainty supported by convincing evidence that such deferred tax asset can be realised against future profits.

11. Impairment of Assets

Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net discounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment is recognised by debiting the profit and loss account and is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

12. Provisions, contingent liabilities and contingent assets

The Bank estimates the probability of any loss that might be incurred on outcome of contingencies on the basis of information available up to the date on which the financial statements are prepared. A provision is recognised when an enterprise has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are determined based on management estimate required to settle the obligation at the balance sheet date, supplemented by experience of similar transactions. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates. In cases where the available information indicates that the loss on the contingency is reasonably possible but the amount of loss cannot be reasonably estimated, a disclosure is made in the financial statements. In case of remote possibility neither provision nor disclosure is made in the financial statements. The Bank does not account for 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 earning per share reflects 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.

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B. NOTES FORMING PART OF THE ACCOUNTS

The following additional disclosures have been made taking into account the requirements of accounting standards and RBI guidelines in this regard.

1. Merger of The Sangli Bank Limited

On December 9, 2006, the Board of Directors of ICICI Bank and the Board of Directors of The Sangli Bank Limited ('Sangli Bank') at their respective meetings, approved an all-stock amalgamation of Sangli Bank with ICICI Bank at a share exchange ratio of 100 shares of ICICI Bank for 925 shares of Sangli Bank. Shareholders of Sangli Bank have approved the scheme in their extra-ordinary general meeting held on January 15, 2007 and shareholders of ICICI Bank have approved the scheme of amalgamation in their extra-ordinary general meeting held on January 20, 2007.

RBI has sanctioned the scheme of amalgamation with effect from April 19, 2007 vide its order DBOD No. PSBD 10268 / 16.01.128/2006-07 dated April 18, 2007 under Sub-section (4) of Section 44A of Banking Regulation Act, 1949.

As on March 31, 2006, Sangli Bank had total assets of Rs. 21,508.5 million, deposits of Rs. 20,043.3 million, loans of Rs. 8,882.8 million and capital adequacy of 1.6%. During the year ended March 31, 2006, it incurred a loss of Rs. 292.7 million.

2. Equity issue

During the year ended March 31, 2006, the Bank raised equity capital amounting to Rs. 80,006.1 million. The expenses of the issue amounting to Rs. 874.1 million have been charged to the share premium account. The details of the equity capital raised are given in the table below:

Rupees in million, except per share data

Details	No. of equity shares	Amount of share premium	Aggregate proceeds
Fully paid equity shares of Rs.10 each at a premium of Rs. 515 per share	67,787,322	34,910.5	35,588.3
Fully paid equity shares of Rs.10 each at a premium of Rs. 488.75 per share	28,894,060	14,122.0	14,410.9
18,618,730 American Depository Share ("ADS") at a price of US\$ 26.75 per share ¹	37,237,460	22,134.6	22,506.9
Fully paid equity shares of Rs.10 each issued by exercise of the green-shoe option	14,285,714	7,357.1	7,500.0
Total	148,204,556	78,524.2	80,006.1

1. Includes 2,428,530 ADSs issued on exercise of the green-shoe option.

3. Capital adequacy ratio

The capital to risk weighted assets ratio (CRAR) as assessed on the basis of the financial statements and guidelines issued by RBI is given in the table below:

Rupees in million

	As on March 31, 2007	As on March 31, 2006
Tier I capital	215,033.4	191,815.3
(of which Lower Tier I)	22,577.9	..
Tier II capital	123,928.5	86,610.9
(of which Upper Tier II)	20,012.5	..
Total capital	338,961.9	278,426.2
Total risk weighted assets	2,899,930.6	2,085,935.9

Rupees in million

	As on March 31, 2007	As on March 31, 2006
CRAR (%)	11.69%	13.35%
CRAR – Tier I capital (%)	7.42%	9.20%
CRAR – Tier II capital (%)	4.27%	4.15%
Amount of subordinated debt raised as Tier I capital / Tier II capital during the year	64,903.5	39,730.0

- USD 750 million (Rs. 32,602.5 million) of foreign currency bonds issued for Upper Tier II capital have been excluded from the above capital adequacy ratio (CRAR) computation, pending clarification required by Reserve Bank of India regarding certain terms of these bonds. If these bonds were considered as Tier II capital, the total CRAR would be 12.81%.

4. Business / information ratios (annualised)

The business / information ratios for the year ended March 31, 2007 and for March 31, 2006 are given in the table below:

	Year ended March 31, 2007	Year ended March 31, 2006
(i) Interest income to working funds ¹	8.04%	7.30%
(ii) Non-interest income to working funds ¹	2.07%	2.13%
(iii) Operating profit to working funds ¹	2.05%	1.98%
(iv) Return on assets ²	1.09%	1.30%
(v) Profit per employee (Rs. in million)	0.9	1.0

- 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.
- 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.

Rupees in million

	As on March 31, 2007	As on March 31, 2006
(vi) Business per employee (average deposits plus average advances) ³	102.7	90.5

- 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.

5. Information about business and geographical segments

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 are generally based on transfer pricing measures as determined by management. Income, expenses, assets and liabilities are either specifically identified with individual segments or are allocated to segments on a systematic basis.

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Based on such allocations, segmental balance sheet as on March 31, 2007 and March 31, 2006 and segmental profit & loss account for the year ended March 31, 2007 and for the year ended March 31, 2006 have been prepared.

Business segmental results are given below:

Rupees in million

Particulars	Consumer and commercial banking		Investment banking		Total	
	For the year ended March 31, 2007	For the year ended March 31, 2006	For the year ended March 31, 2007	For the year ended March 31, 2006	For the year ended March 31, 2007	For the year ended March 31, 2006
1. Revenue	234,793.7	154,085.3	70,661.9	41,702.4	305,455.6	195,787.7
2. Less: Inter-segment revenue					(16,221.1)	(10,917.6)
3. Total revenue (1) –(2)					289,234.5	184,870.1
4. Operating profit (i.e. profit before unallocated expenses, and tax)	45,352.6	33,870.5	13,775.6	5,397.7	59,128.2	39,268.2
5. Unallocated expenses					384.0	384.0
6. Provisions (net)	21,968.8	7,320.2	295.0	598.0	22,263.8	7,918.2
7. Profit before tax	23,383.8	26,550.3	13,480.6	4,799.7	36,480.4	30,966.0
8. Income tax expenses (net of deferred tax credit)					5,378.2	5,565.3
9. Net profit (7)-(8)					31,102.2	25,400.7
10. Segment assets	2,163,604.5	1,643,838.9	1,238,714.1	839,301.3	3,402,318.6	2,483,140.2
11. Unallocated assets					44,262.5	30,749.3
12. Total assets (10)+(11)					3,446,581.1	2,513,889.5
13. Segment liabilities	2,642,032.9	1,923,206.7	804,548.2	590,682.8	3,446,581.1	2,513,889.5
14. Unallocated liabilities					–	–
15. Total liabilities (13)+(14)					3,446,581.1	2,513,889.5

Geographical segments

The Bank reports its operations under the following geographical segments.

- **Domestic operations** comprises branches having operations in India.
- **Foreign operations** comprises branches having operations outside India and offshore banking unit having operations in India.

Geographical segmental results are given below:

Rupees in million

Particulars	Domestic operations		Foreign Operations		Total	
	For the year ended March 31, 2007	For the year ended March 31, 2006	For the year ended March 31, 2007	For the year ended March 31, 2006	For the year ended March 31, 2007	For the year ended March 31, 2006
1. Revenue	268,961.9	183,348.0	20,272.7	9,544.7	289,234.6	192,892.7
Particulars	As on March 31, 2007	As on March 31, 2006	As on March 31, 2007	As on March 31, 2006	As on March 31, 2007	As on March 31, 2006
2. Assets	3,039,670.0	2,295,744.9	406,911.1	218,144.6	3,446,581.1	2,513,889.5

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. 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:

Rupees in million, except per share data

	Year ended March 31, 2007	Year ended March 31, 2006
Basic		
Weighted average no. of equity shares outstanding	892,820,768	781,693,773
Net profit	31,102.2	25,400.7
Basic earnings per share (Rs.)	34.84	32.49
Diluted		
Weighted average no. of equity shares outstanding	897,743,476	789,963,635
Net profit	31,102.2	25,400.7
Diluted earnings per share (Rs.)	34.64	32.15
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.

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- a) The maturity pattern of assets and liabilities of the Bank as on March 31, 2007 is given below:

Rupees in million

Maturity buckets	Loans & advances ¹	Investment securities ¹	Deposits ¹	Borrowings ¹	Total foreign currency assets	Total foreign currency liabilities
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.

- b) The maturity pattern of assets and liabilities of the Bank as on March 31, 2006 is given below:

Rupees in million

Maturity buckets	Loans & advances ¹	Investment securities ¹	Deposits ¹	Borrowings ¹	Total foreign currency assets	Total foreign currency liabilities
1 to 14 days	75,450.2	103,983.4	149,071.4	31,237.0	41,679.5	37,847.1
15 to 28 days	8,865.2	44,993.6	69,193.3	10,049.4	11,454.3	18,646.8
29 days to 3 months	75,231.3	81,976.1	255,473.5	53,804.3	37,365.6	59,270.5
3 to 6 months	89,859.5	64,510.5	231,693.4	46,661.4	32,628.1	28,415.9
6 months to 1 year	145,066.0	93,267.8	388,402.8	53,160.2	29,919.0	57,175.5
1 to 3 years	591,575.5	142,607.5	520,604.7	72,646.8	37,734.5	43,054.4
3 to 5 years	165,878.4	41,030.3	14,002.1	94,981.8	41,477.4	67,547.5
Above 5 years	309,705.0	143,104.7	22,390.5	22,678.2	49,596.3	12,765.4
Total	1,461,631.1	715,473.9	1,650,831.7	385,219.1	281,854.7	324,723.1

1. Includes foreign currency balances.

8. Related party transactions

The Bank has transactions with its related parties comprising of subsidiaries, associates, joint ventures and key management personnel. The following are the significant transactions between the Bank and its related parties.

Insurance services

During the year ended March 31, 2007, the Bank paid insurance premium to insurance joint ventures amounting to Rs. 1,613.5 million (March 31, 2006: Rs. 829.6 million). During the year ended March 31, 2007, the Bank received claims from insurance joint ventures amounting to Rs. 725.4 million (March 31, 2006: Rs. 16.8 million).

Fees and commission

During the year ended March 31, 2007, the Bank received fees from its subsidiaries and joint ventures

amounting to Rs. 4,427.2 million (March 31, 2006: Rs. 2,280.5 million) and commission of Rs. 10.7 million (March 31, 2006: Rs. 9.9 million) on account of guarantees and letters of credit issued for subsidiaries.

Lease of premises and facilities

During the year ended March 31, 2007, the Bank charged an aggregate amount of Rs. 711.5 million (March 31, 2006: Rs. 443.7 million) for lease of premises, facilities and other administrative costs to subsidiaries and joint ventures.

Sale / purchase of housing loan portfolio

During the year ended March 31, 2007, the Bank sold housing loan portfolio to its subsidiary amounting to Rs. 13,171.4 million (March 31, 2006: Rs. 37,711.0 million). During the year ended March 31, 2007, the Bank purchased housing portfolio from its subsidiary amounting to Rs. Nil (March 31, 2006: Rs. 18,307.7 million).

Secondment of employees

During the year ended March 31, 2007, the Bank received Rs. 136.3 million (March 31, 2006: Rs. 3.0 million) from subsidiaries and joint ventures for secondment of employees.

Purchase of investments

During the year ended March 31, 2007, the Bank purchased certain investments from its subsidiaries and joint ventures amounting to Rs. 14,186.8 million (March 31, 2006: Rs. 15,255.5 million) and from its associates amounting to Rs. 944.7 million (March 31, 2006: Rs. Nil). During the year ended March 31, 2007, the Bank invested in the equity share capital of its subsidiaries amounting to Rs. 13,584.7 million (March 31, 2006: Rs. 8,217.3 million)

Sale of investments

During the year ended March 31, 2007, the Bank sold certain investments to its subsidiaries and joint ventures amounting to Rs. 8,569.2 million (March 31, 2006: Rs. 6,757.7 million) and to its associates amounting to Rs. Nil (March 31, 2006: Rs. 1,545.0 million). On the sales made to subsidiaries and joint ventures, the Bank accounted for a gain of Rs. 186.4 million (March 31, 2006: Gain of Rs. 16.7 million) and on the sale made to associates, the Bank accounted for no gain (March 31, 2006: Gain of Rs. 10.1 million).

Redemption / Buyback and Conversion of investments

During the year ended March 31, 2007, consideration of Rs. 663.9 million (March 31, 2006: Rs. 1,078.9 million) was received on account of buyback / capital reduction of equity shares by subsidiaries and a gain amounting to Rs. 614.0 million (March 31, 2006: Rs. 620.6 million) was accounted in the books. Units in associates amounting to Rs. 2,795.9 million (March 31, 2006: Rs. 1,162.3 million) were redeemed during the year ended March 31, 2007.

Reimbursement of expenses

During the year ended March 31, 2007, the Bank reimbursed expenses to its subsidiaries amounting to Rs. 2,147.7 million (March 31, 2006: Rs. 3,397.8 million).

Brokerage expenses

During the year ended March 31, 2007, the Bank paid brokerage to its subsidiaries amounting to Rs. 795.4 million (March 31, 2006: Rs. 13.6 million).

Custodial charges income

During the year ended March 31, 2007, the Bank received custodial charges from its subsidiaries and joint ventures amounting to Rs. 20.4 million (March 31, 2006: Rs. 15.8 million) and from its associates amounting to Rs. 5.7 million (March 31, 2006: Rs. 5.4 million).

Interest expenses

During the year ended March 31, 2007, the Bank paid interest to its subsidiaries and joint ventures amounting to Rs. 513.6 million (March 31, 2006: Rs. 384.2 million) and to its associates amounting to Rs. 1.1 million (March 31, 2006: Rs. Nil).

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Interest income

During the year ended March 31, 2007, the Bank received interest from its subsidiaries and joint ventures amounting to Rs. 1,366.2 million (March 31, 2006: Rs. 613.6 million) and from its key management personnel¹ Rs. 0.7 million (March 31, 2006: Rs. 0.5 million).

Other income

During the year ended March 31, 2007, the gain on derivative transactions entered into with subsidiaries and joint ventures was Rs. 537.3 million (March 31, 2006: Gain of Rs. 245.3 million).

Dividend income

During the year ended March 31, 2007, the Bank received dividend from its subsidiaries and joint ventures amounting to Rs. 2,027.8 million (March 31, 2006: Rs. 1,635.6 million) and from its associates amounting to Rs. 2,457.1 million (March 31, 2006: Rs. 1,808.2 million).

Dividend paid

During the year ended March 31, 2007, the Bank paid dividend to its key management personnel¹ amounting to Rs. 4.4 million (March 31, 2006: Rs. 3.2 million).

Remuneration to whole-time directors

Remuneration paid to the whole-time directors of the Bank during the year ended March 31, 2007 was Rs. 87.0 million (March 31, 2006: Rs. 75.9 million).

Lines of credit

As on March 31, 2007, the Bank had issued lines of credit to its subsidiaries amounting to Rs. 2,173.5 million (March 31, 2006: Rs. 4,461.5 million).

Sale of property

During the year ended March 31, 2007, the Bank sold properties to its subsidiaries amounting to Rs. 1,505.7 million (March 31, 2006: Rs. Nil) and a gain amounting to Rs. 769.0 million (March 31, 2006: Rs. Nil) was accounted in the books.

Letter of Comfort

The Bank has issued letters of comfort on behalf of its foreign subsidiaries namely, ICICI Bank UK PLC., ICICI Bank Eurasia LLC and ICICI Bank Canada. The details of the same are given in the table 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 there under and to indemnify CDIC against all losses, damages, reasonable costs and expenses arising from failure of ICICI Bank Canada in performing the same.
ICICI Bank Eurasia LLC	ICICI Bank UK PLC.	To confirm that ICICI Bank is aware of ICICI Bank UK PLC. granting short-term money, foreign exchange and derivative lines of credit to ICICI Bank Eurasia Limited Liability Company.

Related party balances

The balances payable to / receivable from subsidiaries / joint ventures / associates / key management personnel included in the balance sheet as on March 31, 2007 are given below:

Rupees in million

Items	Subsidiaries / Joint ventures	Associates	Key management personnel ¹	Total
Deposits with ICICI Bank	9,550.6	42.8	79.7	9,673.1
Deposits of ICICI Bank ²	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	..	14.1	510.1
Receivables	1,456.5	..	..	1,456.5
Payables	657.8	..	..	657.8
Repo	..	..	..	..
Reverse repo	..	..	..	..
Guarantees ³	3,449.8	..	..	3,449.8
Letters of comfort ⁴	45,943.5	..	..	45,943.5
Swaps/forward contracts	214,298.9	..	..	214,298.9
Participation certificate	7,193.9	..	..	7,193.9

1. Whole-time directors and relatives.
2. Includes call money lent.
3. Includes letter of undertaking.
4. Excludes letters of comfort issued on behalf of foreign subsidiaries, details of which are given separately.

The maximum balance payable to / receivable from subsidiaries / joint ventures / associates / key management personnel during the year ended March 31, 2007 is given below:

Rupees in million

Items	Subsidiaries / Joint ventures	Associates	Key management personnel ¹	Total
Deposits with ICICI Bank	16,238.9	3,149.0	129.0	19,516.9
Deposits of ICICI Bank ²	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	..	14.1	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 ³	3,870.5	..	..	3,870.5
Letters of comfort ⁴	47,134.5	..	..	47,134.5
Swaps/forward contracts	222,532.4	..	..	222,532.4
Participation certificate	161,522.1	..	..	161,522.1

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1. Whole-time directors and relatives.
2. Includes call money lent.
3. Includes letter of undertaking.
4. Excludes letters of comfort issued on behalf of foreign subsidiaries, details of which are given separately.

The balances payable to/ receivable from subsidiaries / joint ventures / associates / key management personnel included in the balance sheet as on March 31, 2006 are given below:

Rupees in million

Items	Subsidiaries / Joint ventures	Associates	Key management personnel ¹	Total
Deposits with ICICI Bank	8,734.8	274.9	25.0	9,034.7
Deposits of ICICI Bank ²	11,339.7	-	-	11,339.7
Call/ Term money lent	179.3	-	-	179.3
Call/ Term money borrowed	-	-	-	-
Advances	1,631.9	-	15.4	1,647.3
Investments of ICICI Bank	29,263.2	14,228.5	-	43,491.7
Investments of related parties in ICICI Bank	447.5	-	4.3	451.8
Receivables	666.0	2.0	-	668.0
Payables	779.2	-	-	779.2
Repo	-	-	-	-
Reverse repo	-	-	-	-
Guarantees ³	3,634.0	-	-	3,634.0
Letters of comfort ⁴	30,059.6	-	-	30,059.6
Swaps/forward contracts	148,404.1	-	-	148,404.1
Participation certificate	2,320.0	-	-	2,320.0

1. Whole-time directors and relatives.
2. Includes call money lent.
3. Includes letter of undertaking.
4. Excludes letters of comfort issued on behalf of foreign subsidiaries, details of which are given separately.

The maximum balance payable to / receivable from subsidiaries / joint ventures / associates / key management personnel during the year ended March 31, 2006 is given below:

Items	Subsidiaries / Joint ventures	Associates	Key management personnel ¹	Total
Deposits with ICICI Bank	11,331.7	2,160.2	46.1	13,538.0
Deposits of ICICI Bank ²	12,223.9	-	-	12,223.9
Call / Term money lent	11,160.4	-	-	11,160.4
Call / Term money borrowed	7,490.3	-	-	7,490.3
Advances	2,245.8	-	21.2	2,267.0
Investments of ICICI Bank	29,960.3	14,726.8	-	44,687.1
Investments of related parties in ICICI Bank	547.1	-	4.4	551.5
Receivables	798.4	4.1	-	802.5
Payables	3,060.0	0.5	-	3,060.5
Repo	400.3	-	-	400.3
Reverse repo	2,244.7	-	-	2,244.7
Guarantees ³	5,196.3	-	-	5,196.3
Letters of comfort ⁴	30,815.7	-	-	30,815.7
Swaps/forward contracts	207,739.7	-	-	207,739.7
Participation certificate	2,320.0	-	-	2,320.0

1. Whole-time directors and relatives.
2. Includes call money lent.
3. Includes letter of undertaking.
4. Excludes letters of comfort issued on behalf of foreign subsidiaries, details of which are given separately.

Subsidiaries and joint ventures

ICICI Venture Funds Management Company Limited, ICICI Securities Primary Dealership Limited (formerly known as ICICI Securities Limited), ICICI Securities Limited (formerly known as ICICI Brokerage Services Limited), ICICI International Limited, ICICI Trusteeship Services Limited, ICICI Home Finance Company Limited, ICICI Investment Management Company Limited, ICICI Securities Holdings Inc., ICICI Securities Inc., ICICI Bank UK Plc., ICICI Bank Canada, ICICI Prudential Life Insurance Company Limited, ICICI Lombard General Insurance Company Limited, ICICI Prudential Asset Management Company Limited (formerly known as Prudential ICICI Asset Management Company Limited), ICICI Prudential Trust Limited (formerly known as Prudential ICICI Trust Limited), ICICI Bank Eurasia Limited Liability Company, TCW/ICICI Investment Partners, L.L.C., TSI Ventures (India) Private Limited and ICICI Wealth Management Inc.

Associates

ICICI Equity Fund, ICICI Eco-net Internet and Technology Fund, ICICI Emerging Sectors Fund, ICICI Strategic Investments Fund, ICICI Property Trust.

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, 2007 and for the year ended March 31, 2006 is given in the table below:

Rupees in million, except number of loans securitised

	Year ended March 31, 2007	Year ended March 31, 2006
Total number of loan assets securitised	1,484,398	909,130
Total book value of loan assets securitised	116,012.5	94,856.2
Sale consideration received for the securitised assets	116,500.6	102,856.6
Net gain / (loss) on account of securitisation ¹	(65.5)	4,032.4

1. Excludes unamortised gain.

Rupees in million

	As on March 31, 2007	As on March 31, 2006
Outstanding credit enhancement	16,712.3	16,369.2
Outstanding liquidity facility	4,361.0	2,640.4
Outstanding servicing liability	371.4	695.6
Outstanding subordinate contributions	8,225.8	8,369.8

The Bank has also issued credit enhancement in the form of guarantees amounting to Rs. 8,198.4 million as on March 31, 2007 (March 31, 2006: Rs. Nil).

The details of provision created at the time of sale is given below:

Rupees in million

Particulars	Year ended March 31, 2007
Opening balance	6,077.3
Add: Additions during the year	2,178.1
Less: Deductions during the year	(1,370.2)
Closing balance	6,885.2

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10. Staff retirement benefits

Reconciliation of opening and closing balance of the present value of the defined benefit obligation for pension and gratuity benefits is given below:

Rupees in million

Particulars	Year ended March 31, 2007	
	Pension	Gratuity
Defined benefit obligation liability at March 31, 2007		
Opening obligations	1,038.5	1,001.0
Service cost	6.7	221.0
Interest cost	78.0	75.5
Actuarial (gain) / loss	(28.2)	(63.6)
Liabilities extinguished on settlement	(2.3)	..
Benefits paid	(63.3)	(91.8)
Obligations at March 31, 2007	1,029.4	1,142.1
Plan assets at March 31, 2007, at fair value		
Opening plans assets, at fair value	1,079.5	785.3
Expected return on plan assets	78.9	62.5
Actuarial gain / (loss)	(110.1)	(18.0)
Assets distributed on settlement	(2.3)	..
Contributions	5.8	153.7
Benefits paid	(63.3)	(91.8)
Plan assets at March 31, 2007, at fair value	988.5	891.7
Fair value of plan assets at the end of the year	988.5	891.7
Present value of the defined benefit obligations at the end of the year	1,029.4	1,142.1
Asset / (liability) at March 31, 2007	(40.9)	(250.4)
Cost for the year ended March 31, 2007		
Service cost	6.7	221.0
Interest cost	78.0	75.5
Expected return on plan assets	(78.9)	(62.5)
Actuarial (gain) / loss	81.9	(45.6)
Net cost	87.7	188.4
Investment details of plan assets		

Majority of the plan assets are invested in Government securities and corporate bonds in case of pension plan and insurer managed funds and special deposit schemes in case of gratuity plan.

Assumptions		
Interest rate	8.35%	8.35%
Salary escalation rate	7.00%	7.00%
Estimated rate of return on plan assets	7.50%	7.50%

The estimates of future salary increases, considered in actuarial valuation, take into consideration inflation, seniority, promotion and other relevant factors.

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.

In terms of the Scheme, 13,187,783 options (March 31, 2006: 17,362,584 options) granted to eligible employees were outstanding at March 31, 2007.

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 year ended March 31, 2007 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 in year ended March 31, 2007 would have been higher by Rs. 827.4 million and proforma profit after tax would have been Rs. 30,274.8 million. On a proforma basis, ICICI Bank's basic and diluted earnings per share would have been Rs. 33.91 and Rs. 33.72 respectively. The key assumptions used to estimate the fair value of options are given below:

Risk-free interest rate	5.12% - 8.22%
Expected life	3 - 6 years
Expected Volatility	36.34% - 41.03%
Expected dividend yield	1.44% - 4.06%

A summary of the status of the Bank's stock option plan is given below:

Rupees, except number of shares

Particulars	Stock options outstanding			
	Year ended March 31, 2007		Year ended March 31, 2006	
	Number of shares	Weighted Average Exercise Price	Number of shares	Weighted Average Exercise Price
Outstanding at the beginning of the year	17,362,584	262.60	18,215,335	207.33
Add : Granted during the year	6,439,900	582.26	4,981,780	362.12
Less : Forfeited / lapsed during the year	1,127,650	422.81	931,280	261.89
Exercised during the year ¹	9,487,051	210.47	4,903,251	158.50
Outstanding at the end of the year	13,187,783	442.50	17,362,584	262.60
Options exercisable	326,259	225.80	4,451,704	194.00

1. Excludes options exercised but not allotted.

Summary of stock options outstanding as on March 31, 2007 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 - 300	203,190	168.24	4.50
301 - 600	12,861,093	442.93	8.27
601 - 1000	123,500	849.22	9.69

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, 2007 was Rs. 750.58 (March 31, 2006: Rs. 531.34).

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12. Preference shares

Certain government securities amounting to Rs. 2,104.8 million (March 31, 2006: Rs. 2,001.1 million) have been earmarked against redemption of preference share capital, which falls due for redemption on April 20, 2018, as per the original issue terms.

For these preference shares, the notification dated April 17, 2002 from Ministry of Finance, Government of India, issued on the recommendation of Reserve Bank of India (RBI), under Section 53 of the Banking Regulation Act, 1949, had exempted the Bank from the restriction of Section 12(1) of the Banking Regulation Act, 1949, which prohibits the issue of preference shares by banks, for a period of five years. The Bank has applied to RBI for making a recommendation to Central Government for continuation of such exemption.

13. Transfer to Investment Fluctuation Reserve ("IFR")

An amount of Rs. 2,143.4 million being the excess balance in IFR account over the regulatory requirement was transferred to general reserve account during the year ended March 31, 2005. RBI had subsequently instructed that this amount should be retained in IFR account itself. Accordingly, the said amount was transferred back to IFR account from the general reserve account in the first quarter of the year ended March 31, 2006, making IFR account balance Rs. 7,303.4 million.

RBI required banks to create Investment Fluctuation Reserve account aggregating to 5% of their investments in fixed income securities (in AFS and Trading Book) over a five-year period starting from March 31, 2002. Accordingly a further amount of Rs. 5,900.0 million was transferred to IFR during the year ended March 31, 2006, making the IFR account balance Rs. 13,203.4 million. RBI had vide its circular DBOD.No.BP.BC.38/21.04.141/2005-06 dated October 10, 2005 permitted banks that have maintained capital of at least 9% of the risk weighted assets for both credit risk and market risk for both held for trading and available for sale categories of investments as on March 31, 2006, to transfer the balance in the IFR account 'below the line' in the Profit and Loss Appropriation Account to Statutory Reserve, General Reserve or balance of Profit & Loss Account.

Pursuant to the above, the entire IFR account balance of Rs. 13,203.4 million has been transferred from IFR account to Revenue and other Reserves in the balance sheet during the year ended March 31, 2006.

14. Subordinated debt

- a) 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:

Rupees in million

Particulars	Date of Issue	Coupon Rate (%)	Tenure	Amount
Tranche 1 Option 1	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).

Rupees in million

Particulars	Date of Issue	Coupon Rate (%)	Tenure	Amount
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).

Rupees in million

Particulars	Date of Issue	Coupon Rate (%)	Tenure	Amount
Option I	August 24, 2006	7.25% (semi-annually) ¹	Perpetual ²	15,510.0
Total (Tier I)				15,510.0

- 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%.
- Call option exercisable after 10 years i.e. on August 23, 2016 and on every interest payment date thereafter (exercisable with RBI approval).

Rupees in million

Particulars	Date of Issue	Coupon Rate (%)	Tenure	Amount
Tranche 1 Option 1	August 9, 2006	10.10% (semi-annually) ¹	Perpetual ²	2,330.0
Total (Tier I)				2,330.0

- 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.
- Call option exercisable after 10 years i.e. on August 9, 2016 and on every interest payment date thereafter (exercisable with RBI approval).

Rupees in million

Particulars	Date of Issue	Coupon Rate (%)	Tenure	Amount
Tranche 1 Option 2	January 15, 2007	9.40% Annual ¹	15 years ²	940.0
Total (Upper Tier II)				940.0

- 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.
- Call option exercisable on April 30, 2017 (exercisable only with RBI approval).

Rupees in million

Particulars	Date of Issue	Coupon Rate (%)	Tenure	Amount
Option I	January 12, 2007	6.375% (semi-annually) ¹	15 years ²	33,135.0
Total (Upper Tier II)³				33,135.0

- Coupon rate of 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.
- Call option exercisable on January 12, 2017 (exercisable with RBI approval).
- 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.

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Rupees in million

Particulars	Date of Issue	Coupon Rate (%)	Tenure	Amount
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).

Rupees in million

Particulars	Date of Issue	Coupon Rate (%)	Tenure	Amount
Tranche 2 Option 1	July 17, 2006	9.50% Annual ¹	15 years ²	10,000.0
Total (Upper Tier II)				10,000.0

1. Coupon rate of 9.50% for first 10 years. For next 5 years, 50 basis points over and above coupon rate of 9.50% i.e. 10.00%, if the call option is not exercised by the Bank.
2. Call option after 10 years, i.e. on July 17, 2016 (exercisable with RBI approval).

Rupees in million

Particulars	Date of Issue	Coupon Rate (%)	Tenure	Amount
Tranche 1 Option 1	July 11, 2006	9.00% Annual	10 years	20,000.0
Total (Tier II)				20,000.0

Rupees in million

Particulars	Date of Issue	Coupon Rate (%)	Tenure	Amount
Tranche 5 Option 1	June 22, 2006	8.95% Annual ¹	15 years ²	2,552.0
Total (Upper Tier II)				2,552.0

1. Coupon rate of 8.95% for first 10 years. For next 5 years, 50 basis points over and above coupon rate of 8.95% i.e. 9.45%, if the call option is not exercised by the Bank.
2. Call option after 10 years, i.e. on June 22, 2016 (exercisable with RBI approval).

Rupees in million

Particulars	Date of Issue	Coupon Rate (%)	Tenure	Amount
Tranche 4 Option 1	May 19, 2006	8.50% Annual	10 years	230.0
Tranche 4 Option 2	May 19, 2006	8.60% Annual	12 years	140.0
Tranche 4 Option 3	May 19, 2006	8.40% Annual	5 years and 11 months	350.0
Total (Tier II)				720.0

- b) During the year ended March 31, 2006, the Bank raised subordinated debt amounting to Rs. 39,730.0 million through private placements of bonds. The details of these bonds are given below:

Rupees in million

Particulars	Date of Issue	Coupon Rate (%)	Tenure	Amount
Tranche 3 Option I	March 31, 2006	8.83% Annual	10 years and 15 days	2,500.0
Tranche 2 Option I	March 25, 2006	8.80% Annual	9 years 11 months and 19 days	20,000.0
Tranche 1 Option I	March 14, 2006	8.55% Annual	10 years and 1 month	2,500.0
Total (Tier II)				25,000.0

Rupees in million

Particulars	Date of Issue	Coupon Rate (%)	Tenure	Amount
Option I	February 14, 2006	8.15% Annual	10 years	1,190.0
Option II	February 14, 2006	8.25% Annual	15 years	370.0
Total (Tier II)				1,560.0

Rupees in million

Particulars	Date of Issue	Coupon Rate (%)	Tenure	Amount
Option II	December 30, 2005	7.60% (semi-annually)	10 years	1,010.0
Option III	December 30, 2005	7.75% (semi-annually)	12 years	1,020.0
Option IV	December 30, 2005	7.80% (semi-annually)	15 years	890.0
Total (Tier II)				2,920.0

Rupees in million

Particulars	Date of Issue	Coupon Rate (%)	Tenure	Amount
Option I	September 28, 2005	1 Yr INBMK ¹ + 0.50% (To be reset semi-annually)	5 years and 7 months	2,250.0
Option III	September 28, 2005	7.50 % Annual	10 years	2,750.0
Total (Tier II)				5,000.0

1. INBMK – Indian Benchmark

Rupees in million

Particulars	Date of Issue	Coupon Rate (%)	Tenure	Amount
Option I	June 29, 2005	1 Yr INBMK ¹ + 0.50 % (To be reset semi-annually)	5 years and 10 months	1,100.0
Option II	June 29, 2005	7.25% Annual	5 years and 10 months	770.0
Option III	June 29, 2005	7.45% Annual	10 years	3,380.0
Total (Tier II)				5,250.0

1. INBMK – Indian Benchmark

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15. Investments

The details of investments and the movement of provisions held towards depreciation of investments of the Bank as on March 31, 2007 and March 31, 2006 is given below:

Rupees in million

Particulars	As on March 31, 2007	As on March 31, 2006
1. Value of Investments		
(i) Gross value of investments		
(a) In India	873,108.3	675,324.8
(b) Outside India	45,052.7	45,215.5
(ii) Provision for depreciation		
(a) In India	5,568.1	4,960.5
(b) Outside India	14.5	105.9
(iii) Net value of investments		
(a) In India	867,540.2	670,364.3
(b) Outside India	45,038.2	45,109.6
2. Movement of provision held towards depreciation on investments		
	For the year ended March 31, 2007	For the year ended March 31, 2006
(i) Opening balance	5,066.4	6,079.1
(ii) Add: Provisions made during the year	948.9	692.3
(iii) Less: Write-off/ write-back of excess provisions during the year	(432.7)	(1,705.0)
(iv) Closing balance	5,582.6	5,066.4

16. 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, 2007 is given below:

Rupees in million

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)
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 are in the process of being listed.
- b) The issuer composition of investments of the Bank in securities other than government and other approved securities as on March 31, 2006 is given below:

Rupees in million

No.	Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities ²	Extent of 'unlisted' securities ²
			(a)	(b)	(c)	(d)
1.	PSUs	2,875.6	277.5	1,134.3	0.5	32.6
2.	FIs	9,589.3	920.3	271.2	6,560.5	6,560.5
3.	Banks	22,373.4	7,087.2	1,228.0	7,942.8	7,992.9
4.	Private corporates	43,351.2	17,367.5	2,917.3	17,256.5	16,026.6
5.	Subsidiaries/ Joint ventures	28,607.0	2,704.8	-	150.0	150.0
6.	Others	102,976.4	23,422.4	23,422.1	0.3	-
7.	Provision held towards depreciation	(5,043.9)	-	-	-	-
	Total	204,729.0	51,779.7	28,972.9	31,910.6	30,762.6

1. Amounts reported under columns (a), (b), (c), and (d) above are not mutually exclusive.
 2. This excludes investments, amounting to Rs. 2,554.8 million, in preference shares of subsidiaries, namely ICICI Bank UK Plc and ICICI Bank Canada. This also excludes investments in government securities (Rs. 1,342.3 million) and certificate of deposit (Rs. 223.1 million) of foreign issuers made by overseas branches.
- 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, 2007 and year ended March 31, 2006 is given below:

Rupees in million

Particulars	Year ended March 31, 2007	Year ended March 31, 2006
Opening balance	2,595.9	8,877.3
Additions during the year	916.1	2,158.0
Reduction during the year	(428.9)	(8,439.4)
Closing balance	3,083.1	2,595.9
Total provisions held	2,045.9	1,509.3

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17. Repurchase transactions

The details of securities sold and purchased under repos and reverse repos during the year ended March 31, 2007 and year ended March 31, 2006 are given below:

Rupees in million				
	Minimum outstanding balance during the year	Maximum outstanding balance during year	Daily average outstanding balance during year	Balance as on year end
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	-
Year ended March 31, 2006				
Securities sold under repurchase transaction	-	43,134.3	15,296.0	10,000.0
Securities purchased under reverse repurchase transaction	-	33,608.7	1,214.9	-

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.

18. 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:

Rupees in million		
	As on March 31, 2007	As on March 31, 2006
Capital market sector		
i) Investments made in equity shares	12,046.5	14,453.1
ii) Investments in convertible bonds / convertible debentures	332.5	583.8
iii) Investments in units of equity-oriented mutual funds	394.5	200.6
iv) Advances against share to individuals for investment in equity shares (including IPOs /ESOPs), bonds and debentures, units of equity oriented mutual funds	7,763.8	5,470.1
v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers ¹	15,160.8	7,485.9
Total ²	35,698.1	28,193.5
vi) Of (v) above, the total finance extended to stockbrokers for margin trading	-	-

1. Represents loans to non-banking financial companies ("NBFCs"), brokers and individuals against pledge of shares and includes an amount of Rs. Nil as on March 31, 2007 (March 31, 2006: Rs. 102.7 million) pertaining to guarantee issued to a corporate for the issue of non-convertible debentures, the proceeds of which have been utilised for acquisition of shares by the corporate. It includes a guarantee of Rs. 3,040.0 million (March 31, 2006: Rs. Nil) issued on behalf of a corporate customer to ensure equity capital contribution and an amount of Rs. 118.4 million (March 31, 2006: Rs. Nil) for issue of guarantee to venture funds.
2. The total does not include exposure in venture capital funds amounting to Rs. 19,499.7 million as of March 31, 2007 (the total does not include exposure in unregistered venture capital funds at March 31, 2006: Rs. 16,149.9 million), which forms a part of capital market exposure.

The summary of lending to real estate sector is given below:

Rupees in million		
	As on March 31, 2007	As on March 31, 2006
Real estate sector		
I. Direct exposure	751,382.9	508,136.8
i) Residential mortgages,	595,153.0	431,668.5
of which housing loans upto Rs. 1.5 million	300,137.0	263,796.5
ii) Commercial real estate ¹	142,509.8	69,846.0
iii) Investments in mortgage backed securities (MBS) and other securitised exposures	13,720.1	6,622.2
- a. Residential	13,720.1	6,622.2
- b. Commercial real estate	..	..
II. Indirect exposure	45,785.0	30,135.8
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	30,214.4	13,821.5
Others	15,570.6	16,314.3
Total²	797,167.9	538,272.5

1. Commercial real estate exposure includes loans given to land and building developers for construction, corporates for their real estate requirements and to individuals / firms / corporates against non-residential premises.
2. Excludes non-banking assets acquired in satisfaction of claims.

19. Credit exposure

During the year ended March 31, 2007, the Bank had no single borrower exposure above 15% and no group borrower exposure above 40% of capital funds.

20. 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. Since the country exposure (net) of the Bank in respect of any country does not exceed 1% of the total funded assets, no provision is required to be maintained on country exposures as on March 31, 2007.

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Rupees in million

Risk category	Exposure (net) as on March 31, 2007	Provision held as at March 31, 2007	Exposure (net) as on March 31, 2006	Provision held as at March 31, 2006
Insignificant	277,784.2	-	118,755.5	63.6
Low	126,883.7	-	44,689.4	-
Moderate	20,616.3	-	24,372.9	-
High	1,565.1	-	3,357.7	-
Very High	404.3	-	..	-
Restricted	-	-	447.1	-
Off-Credit	-	-	223.1	-
Total	427,253.6	-	191,845.7	63.6
- of which funded	308,348.8		138,915.0	

21. Advances

The details of movement of gross NPAs, net NPAs and provisions during the year ended March 31, 2007 and year ended March 31, 2006 are given in the table below:

Rupees in million

Particulars	Year ended March 31, 2007	Year ended March 31, 2006
(i) Net NPAs (funded) to Net Advances (%)	1.02%	0.72%
(ii) Movement of NPAs (Gross)		
(a) Opening balance	22,225.9	27,704.3
(b) Additions during the year ¹	21,610.0	10,202.3
(c) Reductions during the year ¹	(2,575.3)	(15,680.7)
(d) Closing balance²	41,260.6	22,225.9
(iii) Movement of Net NPAs		
(a) Opening balance	10,526.8	15,052.7
(b) Additions during the year ¹	11,835.8	7,035.0
(c) Reductions during the year ¹	(2,442.2)	(11,560.9)
(d) Closing balance	19,920.4	10,526.8
(iv) Movement of provisions for NPAs		
(a) Opening balance ³	11,427.5	12,368.5
(b) Provisions made during the year	11,179.5	5,601.2
(c) Write-off/ write-back of excess provisions	(1,771.1)	(6,542.2)
(d) Closing balance³	20,835.9	11,427.5

1. Excludes cases added to and deleted from NPAs in the same year with such gross loans amounting to Rs. 7,841.8 million (March 31, 2006: Rs. 1,714.7 million) and such net loans amounting to Rs. 6,770.8 million (March 31, 2006: Rs. 1,463.2 million).
2. Includes suspended interest and claims received from ECGC/DICGC of Rs. 504.3 million (March 31, 2006: Rs. 271.6 million) on working capital loan.

3. Excludes technical write-off amounting to Rs. 6,230.5 million (March 31, 2006: Rs. 6,586.7 million) and suspended interest and claims received from ECGC/DICGC of Rs. 504.3 million (March 31, 2006: Rs. 271.6 million).

The movement of floating provision during the year ended March 31, 2007 is given below:

Rupees in million	
(v) Movement of floating provision	Year ended March 31, 2007
(a) Opening balance	2,841.7
(b) Provisions made during the year	-
(c) Utilisation during the year	-
(d) Closing balance	2,841.7

The Bank has not created any additional floating provision during the year ended March 31, 2007.

22. Financial assets transferred during the year to Securitisation Company (SC) / Reconstruction Company (RC)

The Bank has transferred certain assets to an asset reconstruction company (ARC) in terms of the guidelines issued by RBI governing such transfer. For the purpose of the valuation of the underlying security receipts issued by the underlying trust managed by ARCIL, the security receipts are valued at their respective NAVs as advised by the ARCIL. The details of the assets transferred during the year ended March 31, 2007 and the year ended March 31, 2006 are given in the table below:

		Rupees in million	
		Year ended March 31, 2007	Year ended March 31, 2006
A	No. of accounts	19	15
B	Aggregate value (net of provisions) of accounts sold to SC/RC	8,169.6	4,794.0
C	Aggregate consideration	8,024.7	4,066.3
D	Additional consideration realised in respect of accounts transferred in earlier years ¹	-	-
E	Aggregate gain / (loss) over net book value	(144.9)	(727.7)

1. During the year ended March 31, 2007, ARCIL fully redeemed security receipts of 26 trusts. The Bank realised Rs. 849.0 million over the gross book value in respect of these trusts (March 31, 2006: Rs. 95.7 million). The Bank also realised an additional amount of Rs. 50.7 million over the gross book value in respect of security receipts already redeemed during the year ended March 31, 2006. Further, the Bank has realised an additional amount of Rs. 43.5 million (March 31, 2006: Rs. Nil) over the gross book value in respect of security receipts not fully redeemed as on March 31, 2007.

23. 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 has been increased to 1% from the earlier level of 0.4%. In accordance with the revised RBI guidelines, a general provision of Rs. 7,310.0 million has been made during the year ended March 31, 2007. The provision on standard assets held by the Bank in accordance with RBI guidelines was Rs. 12,948.3 million at March 31, 2007 (March 31, 2006: Rs. 5,638.3 million).

ICICI BANK LIMITED**24. Provisions and contingencies**

The break-up of 'Provisions and contingencies' included in Profit and Loss Account is given below:

Rupees in million

	Year ended March 31, 2007
Provisions for depreciation of investments	419.4
Provision towards non-performing assets	14,283.0
Provision towards standard assets	7,310.0
Provision towards income tax ¹	5,348.2
Provision towards wealth tax	30.0
Other provision and contingencies	251.3

1. Includes fringe benefit tax amounting to Rs. 369.3 million and creation of net deferred tax asset amounting to Rs. 4,464.3 million.

25. Information in respect of restructured assets

Details of loan assets subjected to restructuring are given below:

Rupees in million

Particulars	Year ended March 31, 2007			Year ended March 31, 2006		
	No.	Amount	Interest Sacrifice	No.	Amount	Interest Sacrifice
(i) Total amount of loan assets subjected to restructuring, rescheduling, renegotiation:	5	527.2	-	5	4,139.4	50.7
of which under CDR	3	273.8	-	4	4,077.0	50.7
(ii) The amount of standard assets subjected to restructuring, rescheduling, renegotiation:	4	405.3	-	2	4,055.5	50.7
of which under CDR	3	273.8	-	2	4,055.5	50.7
(iii) The amount of sub-standard assets subjected to restructuring, rescheduling, renegotiation:	1	121.9	-	1	62.4	-
of which under CDR	-	-	-	-	-	-
(iv) The amount of doubtful assets subjected to restructuring, rescheduling, renegotiation:	-	-	-	2	21.5	-
of which under CDR	-	-	-	2	21.5	-

Above details exclude cases that were approved by CDR Forum and disclosed in earlier years by the Bank and in which certain terms and conditions have been modified by CDR Forum during the current year.

26. Details of non-performing assets sold, excluding those sold to SC/RC

The Bank has sold non-performing assets in terms of the guidelines issued by RBI circular no. DBOD.NO.BP.BC.16/21.04.048/2005-06 dated July 13, 2005 on such sale. The details of assets sold are given below:

Rupees in million

Particulars	Year ended March 31, 2007	Year ended March 31, 2006
No. of borrower accounts sold	-	366
Aggregate outstanding (Gross)	-	14,384.1
Aggregate consideration received	-	2,223.2

27. Fixed Assets

Fixed assets include software acquired by the Bank. The movement in software is given below:

Rupees in million		
Particulars	Year ended March 31, 2007	Year ended March 31, 2006
At cost as on March 31 of preceding year	2,852.7	2,422.6
Additions during the year	455.9	430.1
Deductions during the year	(92.2)	..
Depreciation to date	(2,385.9)	(2,026.3)
Net block	830.5	826.4

28. Assets given on lease

28.1 Assets under operating lease

The details of future rentals receivable on operating leases are given below:

Rupees in million		
Period	As on March 31, 2007	As on March 31, 2006
Not later than one year	-	126.7
Later than one year and not later than five years	-	605.9
Later than five years	-	2.0
Total	-	734.6

28.2 Assets under finance lease

The details of finance leases are given below:

Rupees in million		
Period	As on March 31, 2007	As on March 31, 2006
Total of future minimum lease receipts	617.3	817.1
Present value of lease receipts	548.8	695.1
Unmatured finance charges	68.5	122.0
Maturity profile of future minimum lease receipts		
- Not later than one year	323.4	232.4
- Later than one year and not later than five years	293.9	584.7
- Later than five years	-	-
Total	617.3	817.1

28.3 Maturity profile of present value of lease rentals

The details of maturity profile of present value of finance lease receipts are given below:

Rupees in million		
Period	As on March 31, 2007	As on March 31, 2006
Not later than one year	282.6	176.7
Later than one year and not later than five years	266.2	518.4
Later than five years	-	-
Total	548.8	695.1

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29. Early Retirement Option ("ERO")

The Bank had implemented an Early Retirement Option Scheme 2003 for its employees in July 2003. All employees who had completed 40 years of age and seven years of service with the Bank (including period of service with entities amalgamated with the Bank) were eligible for the ERO.

The ex-gratia payments under ERO, termination benefits and leave encashment in excess of the provision made (net of tax benefits), aggregating to Rs. 1,910.0 million is being amortised over a period of five years commencing August 1, 2003 (the date of retirement of employees exercising the Option being July 31, 2003).

On account of the above ERO scheme, an amount of Rs. 384.0 million (March 31, 2006: Rs. 384.0 million) has been charged to revenue being the proportionate amount amortised for the year ended March 31, 2007.

30. Provisions for income tax

The provision for income tax (including deferred tax and fringe benefit tax) for the year ended March 31, 2007 amounted to Rs. 5,348.2 million (March 31, 2006: Rs. 5,535.3 million).

31. Deferred tax

As on March 31, 2007, the Bank has recorded net deferred tax asset of Rs. 6,099.6 million (March 31, 2006: Rs. 1,642.8 million), which has been included in other assets. The break-up of deferred tax assets and liabilities into major items is given below:

Rupees in million		
Particulars	As on March 31, 2007	As on March 31, 2006
Deferred Tax Asset		
Provision for bad and doubtful debts	11,758.5	6,501.5
Capital loss	..	950.0
Others	884.0	880.7
Total Deferred Tax Assets	12,642.5	8,332.2
Less : Deferred Tax Liability		
Depreciation on fixed assets	6,543.3	6,697.2
Others	..	..
Total Deferred Tax Liabilities	6,543.3	6,697.2
Add : Deferred tax asset pertaining to foreign branches	0.4	7.8
Total net deferred tax asset / (liability)	6,099.6	1,642.8

32. Subvention Income

The Bank had aligned its accounting policy for subvention income with its accounting policy for direct marketing agency / associate expenses in the year ended March 31, 2006. Accordingly, subvention income has been accounted for in the period in which it is received instead of over the period of the loan. As a result of the change in policy, the impact on profit for the year ended March 31, 2006 was not significant.

33. 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 purpose is governed by the hedge policy approved by Asset Liability Management Committee ("ALCO"). Subject to prevailing RBI guidelines, the Bank deals in derivatives for hedging fixed rate, floating rate or foreign currency assets/ liabilities. Transactions for hedging and market making purposes are recorded separately. For hedge transactions, the Bank identifies the hedged item (asset or liability) at the inception of the transaction itself. The effectiveness is assessed at the time of inception of the hedge and periodically thereafter. During the year ended March 31, 2006, the Bank changed its method for testing hedge effectiveness from the price value of basis point ("PVBP") or duration method to the marked to market method. Due to this change certain derivative contracts, which were hitherto accounted for as hedges, became ineffective and were accordingly accounted for as trading.

Hedge derivative transactions are accounted for pursuant to the principles of hedge accounting. Derivatives for market making purpose are marked to market and the resulting gain/ loss is recorded in the profit and loss account. The premium on option contracts is accounted for as per Foreign Exchange Dealers' Association of India guidelines. The Bank makes provisions on the outstanding positions in trading derivatives for possible adverse movements in the underlying. Derivative transactions are covered under International Swap Dealers Association ("ISDA") master agreements with the respective counterparties. The credit exposure on account of derivative transactions is computed as per RBI guidelines and is marked against the credit limits approved for the respective counterparties.

Rupees in million

Sr. No.	Particulars	As on March 31, 2007	
		Currency derivatives ¹	Interest rate derivatives ²
1	Derivatives (Notional principal amount)		
	a) For hedging	1,441.0	145,066.4
	b) For trading	730,931.6	2,794,743.1
2	Marked to market positions ³		
	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)		
	a) on hedging derivatives ⁴	(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 ⁴		
	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)

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- Options & cross currency interest rate swaps are included in currency derivatives.
- Foreign currency interest rate swaps, forward rate agreements and swaptions are included in interest rate derivatives.
- For trading portfolio.
- The swap contracts entered for hedging purpose would have an opposite and offsetting impact with the underlying on-balance sheet items.

Rupees in million

Sr. No.	Particulars	As on March 31, 2006	
		Currency derivatives ¹	Interest rate derivatives ²
1	Derivatives (Notional principal amount)		
	a) For hedging	-	41,252.2
	b) For trading	428,580.4	2,174,510.4
2	Marked to market positions³		
	a) Asset (+)	2,150.3	1,963.2
	b) Liability (-)	-	-
3	Credit exposure	21,458.8	28,170.8
4	Likely impact of one percentage change in interest rate (100*PV01)		
	a) on hedging derivatives ⁴	-	(1,230.8)
	b) on trading derivatives	1,087.0	900.9
5	Maximum and minimum of 100*PV01 observed during the year		
	a) on hedging ⁴		
	Maximum	-	838.4
	Minimum	(74.4)	(1,230.8)
	b) on trading		
	Maximum	1,119.8	1,097.5
	Minimum	632.8	(1,439.1)

- Options & cross currency interest rate swaps are included in currency derivatives.
- Foreign currency interest rate swaps, forward rate agreements and swaptions are included in interest rate derivatives.
- For trading portfolio.
- The swap contracts entered for hedging purpose would have an opposite and offsetting impact with the underlying on-balance sheet items.

The notional principal amount of credit derivatives outstanding at March 31, 2007 was Rs. 59,096.9 million (March 31, 2006: Rs. 23,514.4 million). Of the above, notional principal amount Rs. 434.7 million represents protection bought by the Bank through its overseas branches as on March 31, 2007.

The notional principal amount of forex contracts classified as hedging at March 31, 2007 amounted to Rs. 288,639.6 million (March 31, 2006: Rs. 165,041.4 million).

The notional principal amount of forex contracts classified as trading at March 31, 2007 amounted to Rs. 1,042,920.8 million (March 31, 2006: Rs. 753,273.6 million).

The net overnight open position at March 31, 2007 was Rs. 1,279.7 million (March 31, 2006: Rs. 457.8 million).

34. Forward rate agreement ("FRA")/ Interest rate swaps ("IRS")

The notional principal amount of Rupee IRS contracts at March 31, 2007 was Rs. Nil for hedging contracts (March 31, 2006: Rs. Nil) and Rs. 2,389,261.3 million for trading contracts (March 31, 2006: Rs. 1,870,025.6 million).

The fair value represents the estimated replacement cost of swap contracts at balance sheet date. At March 31, 2007 the fair value of trading rupee interest rate swap contracts was Rs. 1,111.4 million (March 31, 2006: Rs. 922.4 million).

Associated credit risk is the loss that the Bank would incur in case all the counter-parties to these swaps fail to fulfil their contractual obligations. At March 31, 2007, the associated credit risk on trading rupee interest rate swap contracts was Rs. 37,605.4 million (March 31, 2006: Rs. 16,754.4 million).

Market risk is monitored as the loss that would be incurred by the Bank for a 100 basis points change in the interest rates. At March 31, 2007 the market risk on trading rupee interest rate swap contracts amounted to Rs. 844.4 million (March 31, 2006: Rs. 1,192.3 million).

Credit risk concentration is measured as the highest net receivable under swap contracts from a particular counter-party. At March 31, 2007, there was a credit risk concentration of Rs. 657.9 million with ICICI Securities Primary Dealership Limited (formerly known as ICICI Securities Limited) (March 31, 2006: Rs. 476.4 million with ICICI Securities Primary Dealership Limited) under rupee interest rate swap contracts. As per the prevailing market practice, the Bank does not insist on collateral from the counter-parties in these contracts.

The details of the forward rate agreements / interest rate swaps are given below:

Rupees in million		
Particulars	As on March 31, 2007	As on March 31, 2006
i) The notional principal of rupee swap agreements ¹	2,389,261.3	1,870,025.6
ii) Losses which would be incurred if all counter-parties failed to fulfil their obligations under the agreement	37,605.4	16,754.4
iii) Collateral required by the Bank upon entering into swaps	-	-
iv) Concentration on of credit risk arising from the rupee swaps	657.9	476.4
v) The fair value of rupee trading swap book	1,111.4	922.4

1. Notional principal of swap agreements includes both hedge and trading portfolio.

35. Exchange traded interest rate derivatives

The details of exchange traded interest rate derivatives are given below:

Rupees in million			
Sr. No.	Particulars	As on March 31, 2007	As on March 31, 2006
(i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise)		
a)	Euro dollar futures	-	133,577.3
b)	Treasury note futures – 10 year	22,476.0	13,496.0
c)	Treasury note futures – 5 year	3,399.0	3,319.4
(ii)	Notional principal amount of exchange traded interest rate derivatives outstanding (instrument-wise)		
a)	Euro dollar futures	-	-
b)	Treasury note futures – 10 year	652.1	1,516.9
c)	Treasury note futures – 5 year	130.4	..
(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 form part of the foreign branches' trading portfolios.

36. Penalties / fines imposed by RBI and other regulatory bodies

There were no penalties imposed by RBI during the year ended March 31, 2007. A penalty of Rs. 0.5 million was imposed under Section 47A(1)(b) of the Banking Regulation Act, 1949 by RBI during the year ended March 31, 2006 citing contravention of RBI instructions relating to opening of accounts, monitoring of transactions for adherence to Know Your Customer ("KYC")/Anti Money Laundering ("AML") norms, and non-adherence to normal banking practices.

Securities and Futures Commission (SFC), Hong Kong 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.

37. Commission paid to marketing agents

Commission paid to direct marketing agents/dealers for origination of retail automobile loans, which was being netted from "Interest Income" up to the year ended March 31, 2006 has been reclassified to "Operating Expenses".

38. Premium amortisation

As per Reserve Bank of India 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 "Profit/(Loss) on revaluation of investments (net)" in Schedule 14, which was earlier included in "Provisions for investments (including credit substitutes) (net)" in Schedule 17.

39. Comparative figures

Figures of the previous year have been regrouped to conform to the current year presentation.

Part III of Annexure A

DIVIDEND DATA

	For the year ended March 31,				
On Equity Shares	2003	2004	2005	2006	2007
Number of equity shares (Face value of Rs. 10/- each)	613,034,404	616,391,905	736,716,094	889,823,901	899,266,672
Number of equity shares representing application money received on exercise of employee stock options (Face value of Rs. 10/- each)	-	-	22,470	-	-
Dividend Rate (Note 1)	75%	75%	85%	85%	100%
Amount of dividend (Rupees in million) (Notes 2, 3 & 4)	4,598.5	5,507.4	6,291.9	7,582.5	8,992.7
Amount of dividend tax (Rupees in million) (Note 5)	589.2	719.8	882.5	1,063.5	1,528.3
Amount of total dividend (Rupees in million)	5,187.7	6,227.2	7,174.4	8,646.0	10,521.0

Notes

- (1) On a pro rata basis wherever applicable.
- (2) For the year ended March 31, 2004 amount of dividend includes Rs. 67.5 million of dividend on Green Shoe Options and Employee stock options exercised subsequent to March 31, 2004 till September 4, 2004.
- (3) Includes dividend paid on employee stock options exercised subsequent to March 31 till the book closure date.
- (4) Dividend for the year ended March 31, 2007 represents proposed dividend.
- (5) Includes dividend tax on account of the point (3) & (4).

Part IV of Annexure A
CASH FLOW STATEMENT

(Rs. in million)

PARTICULARS		Year ended March 31,				
		2003	2004	2005	2006	2007
Cash flow from operating activities						
Net profit before taxes		7,803.9	19,022.2	25,272.0	30,966.1	36,480.4
Adjustments for:						
Depreciation and amortisation		5,059.4	9,268.5	9,424.5	9,021.2	7,639.0
Net (appreciation) / depreciation on investments		3,094.3	987.1	5,416.5	8,301.4	9,918.4
Provision in respect of non-performing assets (including prudential provision on standard assets)		14,749.8	4,591.2	(1,213.6)	7,947.2	21,593.0
Provision for contingencies & others		63.9	207.9	86.0	226.8	251.3
Income from subsidiaries		(1,094.2)	(1,261.7)	(1,880.8)	(3,386.9)	(4,484.9)
(Profit) / Loss on sale of fixed assets		65.0	19.1	20.8	(71.2)	(1,152.2)
		29,742.1	32,834.3	37,125.4	53,004.6	70,245.0
Adjustments for:						
(Increase) / decrease in Investments		55,305.1	(47,269.0)	(43,133.9)	(141,019.2)	(19,666.2)
(Increase) / decrease in Advances		(74,578.8)	(90,899.8)	(287,949.8)	(552,112.9)	(511,255.3)
Increase / (decrease) in Borrowings		(36,519.6)	11,401.5	54,169.1	65,476.0	57,039.9
Increase / (decrease) in Deposits		160,841.9	199,392.8	317,101.9	652,643.9	654,270.1
(Increase) / decrease in Other assets		(24,500.1)	(7,914.6)	(20,735.0)	(36,704.2)	(28,759.0)
Increase / (decrease) in Other liabilities and provisions		3,266.6	14,154.3	43,226.8	13,861.4	26,886.2
		83,815.1	78,865.2	62,679.1	2,145.0	178,515.8
Refund / (payment) of direct taxes		(6,438.2)	(8,531.2)	(8,487.4)	(8,620.3)	(18,141.3)
Net cash generated from operating activities	(A)	107,119.0	103,168.3	91,317.1	46,529.3	230,619.5
Cash flow from investing activities						
Investments in subsidiaries and/or joint ventures (including application money)		(1,739.4)	(6,415.2)	(6,430.4)	(8,509.2)	(15,758.2)
Income received on such investments		1,094.2	1,261.7	1,880.7	3,386.9	4,484.9
Purchase of fixed assets		(4,516.9)	(4,838.3)	(3,795.3)	(5,474.0)	(4,924.6)
Proceeds from sale of fixed assets		102.1	337.9	262.9	942.8	4,347.3
(Purchase) / Sale of held to maturity securities		(52,372.2)	(11,715.3)	(26,370.4)	(69,286.3)	(171,776.1)
Net cash generated from investing activities	(B)	(57,432.2)	(21,369.2)	(34,452.5)	(78,939.8)	(183,626.7)

Cash flow Statement (contd.....)

(Rs. in million)

	Year ended March 31,					
PARTICULARS		2003	2004	2005	2006	2007
Cash flow from financing activities						
Proceeds from issue of share capital (including ESOPs)		0.3	539.0	32,572.8	79,813.8	2,074.4
Repayment of bonds (including subordinated debt)		(112,660.6)	(57,334.1)	(38,616.9)	869.6	160,717.4
Dividend and dividend tax paid		-	(5,187.6)	(6,227.2)	(7,174.4)	(8,646.0)
Net cash generated from financing activities	(C)	(112,660.3)	(61,982.7)	(12,271.3)	73,509.0	154,145.8
Effect of exchange fluctuation on translation reserve	(D)	-	-	-	4.0	(327.6)
Net increase / (decrease) in cash and cash equivalents	(A) + (B) + (C) + (D)	(62,973.5)	19,816.4	44,593.3	41,102.5	200,811.0
Cash and cash equivalents - Opening		127,863.5	64,890.0	84,706.4	129,299.7	170,402.2
Cash and cash equivalents - Closing		64,890.0	84,706.4	129,299.7	170,402.2	371,213.2

Part V of Annexure A
Capitalisation Statement

(Rs. in million)

		As on March 31, 2007	As adjusted for the issue*
Borrowings (1)			
Short - Term Debt (2)		217,178.6	217,178.6
Long Term Debt (3)		489,432.8	489,432.8
Total Debts	(A)	706,611.4	706,611.4
Shareholders' Funds :			
Share Capital (4)		12,493.4	14,309.1
Reserves (5)		234,139.2	406,942.5
Less: Unamortised Deferred Revenue Expenditure (6)		502.0	502.0
Total Shareholders' Funds	(B)	246,130.6	420,749.6
Total Capitalisation	(A) + (B)	952,742.0	1,127,361.0
Notes			
1. Borrowings do not include deposits.			
2. Short-term debt is debt maturing within the next one year from the date of above statement [includes bonds in the nature of subordinated debt (excluded from Tier-II capital) of Rs. 5,419.7 million] .			
3. Includes Rs.194,051.1 million of unsecured redeemable debentures and bonds in the nature of subordinated debt eligible for inclusion in Tier-II capital.			
4. Includes :			
(a) preference share capital of Rs. 3,500 million.			
(b) 110,967,096 equity shares of Rs.10 each issued vide prospectus dated December 8, 2005.			
(c) 37,237,460 equity shares of Rs.10 each fully paid up issued consequent to issue of 18,618,730 American depository shares (ADS) vide prospectus dated December 6, 2005.			
(d) 9,487,051 equity shares of Rs. 10 each fully paid up on exercise of employee stock options.			
5. Includes :			
(a) Rs. 1,901.9 million on exercise of employee stock options.			
(b) 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.			
6.. Unamortised expenses on account of the early retirement option scheme offered to the employees.			
7. Long-term Debt / Equity Ratio		2.0	1.2

*The total number of Equity Shares issued may be required to be adjusted inter alia for the Rs. 50 discount to be offered to Existing Retail Shareholders and Retail Bidders, pursuant to completion of Book Building Process.

Part VI of Annexure A

STATEMENT OF UNSECURED BORROWINGS

(Rs. in million)

	As on March 31,				
	2003	2004	2005	2006	2007
I. Borrowings in India					
i) Reserve Bank of India	-	-	-	-	-
ii) Other banks	24,469.1	16,568.8	20,779.3	39,370.2	42,668.6
iii) Other institutions and agencies	-	-	-	-	-
a) From Government of India	5,210.4	4,411.4	3,612.5	2,813.6	2,171.9
b) From financial institutions	25,658.5	40,531.0	45,185.6	34,372.4	36,708.1
iv) Borrowings in the form of	-	-	-	-	-
a) Deposits taken over from erstwhile ICICI Limited	5,062.8	3,098.4	2,070.5	1,388.4	-
b) Bonds & debentures (excluding subordinated debt)	-	-	-	-	-
1) Debentures & bonds guaranteed by the Government of India	14,815.0	14,815.0	14,815.0	14,815.0	14,815.0
2) Tax free bonds	800.0	-	-	-	-
3) Non-convertible portion of partly convertible notes	-	-	-	-	-
4) Borrowings under private placement, of bonds carrying maturity of 1 to 30 years from the date of placement	91,339.1	48,150.6	30,948.1	16,179.5	6,784.8
5) Bonds issued under multiple option/safety bonds series	105,513.6	102,085.8	75,168.1	60,670.1	31,028.0
c) Application money pending allotment	11,238.9	-	6,160.9	-	-
Total borrowings in India	284,107.4	229,661.0	198,740.0	169,609.2	134,176.4
II. Borrowings Outside India	58,916.8	77,741.4	136,704.9	215,609.9	378,383.9
III. Unsecured redeemable debentures/bonds	97,495.3	91,058.6	82,089.0	101,443.8	194,051.1
(Subordinated debt included in Tier II Capital)	-	-	-	-	-
Total borrowings including subordinated debt	440,519.50	398,461.00	417,533.90	486,662.85	706,611.4

Secured borrowings in I, II and III above is Nil.

Part VII of Annexure A
STATEMENT OF TAX SHELTER

(Rs. in million)

	Year ended March 31,				
	2003	2004	2005	2006	2007
Tax at marginal rate on income	2859.7	6815.6	9,236.7	10,423.2	12,279.3
Adjustments					
Difference in book and tax depreciation	(170.0)	495.8	1,800.0	2,351.8	1,652.0
Bad debts written off	16,824.0	1,241.9	(13,839.5)	(1,454.2)	15,279.0
Special reserve under section 36(1)(viii)	-	-	-	(2,500.0)	(3,810.0)
Surplus on sale of property/assets	70.0	18.5	20.8	(71.2)	(1,152.0)
Dividend, exempt interest and other exempt income	(2,540.0)	(2,876.6)	(3,240.0)	(4,850.0)	(9,193.0)
Capital gains on sale of capital assets	(12,910.0)	(4,013.4)	(3,940.0)	(5,961.6)	(14,370.0)
Fair value utilization	(11,830.0)	(8,663.8)	(2,510.0)	-	-
Other adjustments	5,010.0	1,152.2	1,728.0	715.5	336.0
Net adjustments	(5,546.0)	(12,645.4)	(19,980.8)	(11,769.7)	(11,258.0)
Tax (savings)/outgo thereon - other than capital gains	(2,038.2)	(4,536.5)	(7,311.5)	(3,961.7)	(3,789.4)
Tax on capital gains on sale of capital assets	910.0	211.4	204.9	96.5	1,143.3
Tax (savings)/outgo	(1,128.2)	(4,325.1)	(7,106.5)	(3,865.2)	(2,646.1)
Deferred taxes and other tax provisions	(6,011.4)	136.7	3,059.9	(1,286.5)	(4,654.3)
Total income tax	(4,279.9)	2,627.2	5,190.0	5,271.5	4,978.9
Wealth tax	22.5	24.0	30.0	30.0	30.0
Fringe Benefit Tax	-	-	-	263.5	369.3
Total taxation	(4,257.4)	2,651.2	5,220.0	5,565.0	5,378.2
Notes					
Adjusted profit before taxation	7,781.4	18,998.2	25,242.0	30,966.1	36,480.4
Rates of tax - other than capital gains	36.75%	35.88%	36.59%	33.66%	33.66%
- Long term capital gains (securities transaction tax with indexation)	0.00%	0.00%	0.00%	0.00%	0.00%
- Long term capital gains (non securities transaction tax with indexation)	21.00%	20.50%	20.91%	22.44%	22.44%
- Long term capital gains (non securities transaction tax without indexation)	10.50%	10.25%	10.46%	11.22%	11.22%
- Short term capital gains (securities transaction tax)	-	-	10.46%	11.22%	11.22%
- Short term capital gains (non securities transaction tax)	36.75%	35.88%	36.59%	33.66%	33.66%

"Part VIII" of "Annexure A"**ACCOUNTING RATIOS**

	2003	2004	2005	2006	2007
Basic Earning Per Share (Rs.) (Note 1)	19.68	26.66	27.55	32.49	34.84
Book Value per share (Rs.)(excluding revaluation reserve)*	113.10	127.27	168.63	248.56	269.81
Return on Average Net worth (%) (excluding revaluation reserve)*	18.30	21.84	17.86	16.44	13.40

Notes:

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

* Kindly note that the revaluation reserve is nil.

Part IX of Annexure A

CONSOLIDATED STATEMENT OF PROFITS

(Rs. in million)

INCOME	Year ended March 31,				
	2003	2004	2005	2006	2007
INTEREST EARNED					
Interest/discount on advances/bills ¹	63,197.2	65,051.6	73,502.5	106,359.0	169,700.9
Income on investments ²	30,889.9	27,537.4	23,921.9	40,607.8	68,460.7
Interest on balances with Reserve Bank of India and other inter-bank funds	2,368.9	2,193.9	2,334.8	3,433.2	9,037.9
Others	2,021.2	1,806.3	2,269.6	958.2	2,813.0
TOTAL INTEREST EARNED (A)	98,477.2	96,589.2	102,028.7	151,358.2	250,012.5
OTHER INCOME					
Commission, exchange and brokerage ³	8,660.8	12,037.2	20,751.4	32,546.5	54,432.4
Profit/(loss) on sale of investments (net)	5,866.3	14,175.4	7,560.3	10,988.7	14,061.8
Profit/(loss) on revaluation of investments (net) ⁴	(1,361.7)	(1,073.1)	(2,619.2)	(8,527.0)	(11,777.0)
Profit/(loss) on foreign exchange transactions (net)	102.4	2,086.2	2,781.1	4,451.9	8,435.2
Profit/(loss) on sale of land, buildings and other assets (net)	(66.6)	(20.0)	(9.2)	51.8	351.2
Profit on sale of shares of ICICI Bank Limited held by erstwhile ICICI Limited	11,910.5	-	-	-	-
Miscellaneous income (including lease income)	9,470.0	14,552.5	34,066.1	55,284.9	98,121.8
TOTAL OTHER INCOME (B)	34,581.7	41,758.1	62,530.5	94,796.9	163,625.4
TOTAL INCOME (C) = (A) + (B)	133,058.9	138,347.3	164,559.3	246,155.1	413,637.9
EXPENDITURE					
INTEREST EXPENDED					
Interest on deposits	24,797.1	30,194.3	32,622.7	59,590.2	124,565.6
Interest on Reserve Bank of India/inter-bank borrowings	3,076.0	3,231.0	4,047.9	11,888.1	16,659.3
Others (including interest on borrowings of erstwhile ICICI Limited) ⁵	53,394.8	38,251.3	31,373.2	29,536.4	35,532.3
TOTAL INTEREST EXPENDED (D)	81,267.9	71,676.6	68,043.8	101,014.8	176,757.2
OPERATING EXPENSES					
Payments to and provisions for employees	4,894.6	7,106.7	10,907.6	17,112.1	26,365.0
Depreciation on fixed assets (including leased assets)	5,201.8	5,608.9	6,258.1	6,679.3	6,155.0
Other operating expenses ⁶	17,750.5	29,592.7	53,701.1	81,906.2	147,612.1
TOTAL OPERATING EXPENSES (E)	27,846.9	42,308.3	70,866.8	105,697.6	180,132.1
TOTAL EXPENSES (F) = (D) + (E)	109,114.8	113,984.9	138,910.6	206,712.4	356,889.3
NET INCOME BEFORE PROVISIONS G = (C) - (F)	23,944.1	24,362.5	25,648.6	39,442.7	56,748.6

(Rs. in million)

EXPENDITURE	Year ended March 31,				
	2003	2004	2005	2006	2007
Less:					
PROVISIONS AND CONTINGENCIES					
Provision for taxes (net of deferred tax) ⁷	(3,539.0)	3,398.4	5,683.8	6,998.0	7,640.8
Provision for non-performing assets (net) and prudential provision on standard assets	14,822.6	4,873.1	(889.9)	8,117.2	22,082.2
Provision for investments (including credit substitutes) (net)	1,081.0	86.8	2,668.4	133.8	383.9
Others	63.9	207.9	85.9	203.6	307.7
TOTAL PROVISIONS AND CONTINGENCIES (H)	12,428.5	8,566.2	7,548.2	15,452.5	30,414.6
NET PROFIT AFTER TAX (G) - (H)	11,515.6	15,796.3	18,100.4	23,990.2	26,334.0
Less : Minority Interest	(4.4)	(7.5)	(422.9)	(210.7)	(1,272.3)
NET PROFIT AFTER MINORITY INTEREST	11,520.0	15,803.8	18,523.3	24,200.9	27,606.3

NOTES :

1. Income from loans represents interest on rupee and foreign currency loans and advances (including bills) and hire purchase activity and gains on sell-down of loans.
2. Interest income from investments represents primarily amounts earned on SLR investments, debentures, bonds, dividend income from equity and other investments in companies other than subsidiaries.
3. Commission, exchange and brokerage includes primarily income from commissions on guarantees, letters of credit, cash management services, loan processing fees, credit and debit card activities and demat. It also includes commission on bills for collection and bills purchased/discounted.
4. Shown net of premium amortisation on government securities as per RBI circular no. DBOD.BP.BC/21.04.141/2006-07 issued on April 20, 2007.
5. Interest expense 'others' includes primarily interest expenses on deposits taken over from erstwhile ICICI Limited, commercial paper, bonds and debentures, subordinated debt, bills rediscounted and borrowings outside India.
6. Operating expenses include primarily establishment, amortisation of expenses related to Early Retirement Option scheme, direct marketing agency expenses and other general office expenses.
7. Includes income-tax, wealth-tax and fringe benefit tax.
8. Figures of the previous years have been regrouped to confirm to the current period presentation.

Part X of Annexure A

CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

(Rs. in million)

	As on March 31, 2007
ASSETS	
Cash in hand (including foreign currency notes)	26,002.7
Balances with Reserve Bank of India in current accounts	166,407.7
Balances with Banks and money at call and short notice	
I. In India	
i) Balances with banks	
a) in current accounts	8,526.2
b) in other deposit accounts	15,890.4
ii) Money at call and short notice	
a) with banks	1,000.0
b) with other institutions	-
Total in India (I)	25,416.6
II. Outside India	
i) in current accounts	16,709.7
ii) in other deposit accounts	106,544.6
iii) Money at call and short notice	55,810.0
Total outside India (II)	179,064.3
TOTAL BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE (I + II)	204,480.9
Investments	
I. Investments in India	
i) Government securities	696,367.0
ii) Other approved securities	0.6
iii) Shares (includes equity and preference shares)	40,895.7
iv) Debentures and bonds	45,829.5
v) Others (commercial paper, mutual fund units, pass through certificates, security receipts, assets held to cover linked liabilities of life insurance business, etc.)	243,595.3
Total investments in India (I)	1,026,688.1
II. Investments outside India ¹	179,478.8
TOTAL INVESTMENTS (net of provisions)	1,206,166.9
ADVANCES (net of provisions) ²	
I. In India	1,754,858.3
II. Outside India	359,136.1
TOTAL ADVANCES (net of provisions)	2,113,994.4
Fixed Assets (including leased assets)	43,401.5
Other Assets ³	182,893.1
TOTAL ASSETS	3,943,347.2

(Rs. in million)

	As on March 31, 2007
LIABILITIES	
DEPOSITS	
Demand Deposits	
- From banks	4,806.4
- From others	209,693.8
Savings bank deposits	375,330.0
Term Deposits	
- From banks	147,107.7
- From others	1,749,198.4
TOTAL DEPOSITS	2,486,136.3
BORROWINGS	
I. In India	
i) Reserve Bank of India	1,400.0
ii) Other banks	78,545.4
iii) Other institutions and agencies	
- From Government of India	2,171.9
- From Financial Institutions	37,981.8
Borrowings in the form of	
a) Deposits (including deposits taken over from erstwhile ICICI Limited)	2,153.9
b) Commercial paper	4,995.5
c) Bonds and debentures (excluding subordinated debt)	
- Debentures and bonds guaranteed by the Government of India	14,468.4
- Tax Free bonds	-
- Borrowings under private placement of bonds carrying maturity of 1 to 30 years from the date of placement	6,784.8
- Bonds issued under multiple option/safety bonds series	31,028.0
d) Application money pending allotment	-
Total borrowings in India	179,529.7
II. Outside India	437,065.7
TOTAL BORROWINGS	616,595.4
Other liabilities and provisions ⁴	231,739.4
Unsecured reedemable/perpetual debentures/bonds (Subordinated debt) ⁵	212,211.2
Minority interest	5,095.6
Liabilities on policies in force	148,418.9
TOTAL LIABILITIES	3,700,196.8
SHARE CAPITAL	
(i) Issued, subscribed and paid up equity share capital (net of calls unpaid) ⁶	8,993.4
(ii) Preference share capital ⁷	3,500.0
TOTAL SHARE CAPITAL	12,493.4

ICICI BANK LIMITED**(Rs. in million)**

	As on March 31, 2007
RESERVES AND SURPLUS	
(i) Statutory reserve	28,787.3
(ii) Special reserve	19,739.2
(iii) Capital reserve	6,903.2
(iv) Share premium (net of share issue expenses)	120,285.4
(v) Investment fluctuation reserve	-
(vi) Unrealised Investment reserve	4,867.7
(vii) Revenue and other reserves	50,591.0
(viii) Foreign currency translation reserve	(516.8)
(ix) Balance in profit and loss account	-
TOTAL RESERVES AND SURPLUS	230,656.9
TOTAL SHARE CAPITAL AND RESERVES AND SURPLUS	243,150.4
TOTAL LIABILITIES, SHARE CAPITAL AND RESERVES	3,943,347.2

NOTES :

- 1 Includes investment in government securities issued outside India.
- 2 Includes rupee/foreign currency loans, assistance by way of securitisation, loans under retail finance operations and receivables under finance lease.
- 3 Includes :-
 - (a) Primarily interest accrued but not due at period end, advances paid for capital assets, advance taxes paid, deposits for utilities, outstanding fees and other income, exchange fluctuation suspense with Government of India, inter office adjustments (net) and non-banking assets acquired in satisfaction of claims and deferred tax asset.
 - (b) Debit balance in profit and loss account of Rs. 73.7 million including credit balance in profit and loss account for joint ventures of Rs. 88.7 million.
 - (c) Goodwill on consolidation amounting to Rs. 624.0 million.
- 4 Other liabilities primarily includes bills payable, interest accrued but not due, creditors for expenses, unclaimed refunds, brokerage and interest, deferred tax liability, proposed dividend, dividend tax thereon, prudential provision on standard assets as per RBI norms and security deposits from clients.
- 5 Includes unsecured borrowings eligible for inclusion in Tier-I and Tier-II capital for capital adequacy purposes.
- 6 As on March 31, 2007 equity capital includes:
 - (a) 110,967,096 equity shares of Rs.10 each issued vide prospectus dated December 8, 2005.
 - (b) 37,237,460 equity shares of Rs. 10 each fully paid up, issued consequent to issue of 18,618,730 American Depository shares (ADS) vide prospectus dated December 6, 2005.
- 7 For these preference shares, the notification dated April 17, 2002 from Ministry of Finance, Government of India, issued on the recommendation of Reserve Bank of India (RBI), under Section 53 of the Banking Regulation Act, 1949, had exempted the Bank from the restriction of Section 12(1) of the Banking Regulation Act, 1949, which prohibits the issue of preference shares by banks, for a period of five years. The Bank has applied to RBI for making a recommendation to Central Government for continuation of such exemption.

(Rs. in million)

CONTINGENT LIABILITIES	As on March 31, 2007
i) Claims against the Bank not acknowledged as debts	39,265.4
ii) Liability for partly paid investments	254.2
iii) Liability on account of outstanding forward exchange contracts	1,341,835.6
iv) Guarantees given on behalf of constituents	299,644.3
v) Acceptances, endorsements and other obligations	233,328.9
vi) Currency swaps	391,431.0
vii) Interest rate swaps, currency options and interest rate futures	3,984,601.7
viii) Other items for which the Bank is contingently liable	445,755.8
TOTAL CONTINGENT LIABILITIES	6,736,117.0
Bills for collection	40,553.9

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

OVERVIEW

ICICI Bank Limited ("ICICI Bank" or "the Bank") together with its subsidiaries, joint ventures and associates (collectively, "the Company" or "the Group") is a diversified financial services group providing a wide range of banking and financial services including commercial banking, retail banking, project and corporate finance, working capital finance, insurance, venture capital and private equity, investment banking, broking and treasury products and services.

The Bank was incorporated in Vadodara, India and is a publicly held banking company governed by the Banking Regulation Act, 1949.

Principles of consolidation

The consolidated financial statements include the financials of ICICI Bank, its subsidiaries and joint ventures.

The Bank consolidates subsidiaries in which it holds, directly or indirectly, more than 50% of the voting rights or where it exercises control. Entities where the Bank holds 20% to 50% of the voting rights and/or has the ability to exercise significant influence, other than investments of designated venture capital subsidiaries, are accounted for under the equity method of accounting, and the pro-rata share of their income/(loss) is included in the consolidated profit and loss account. Assets, liabilities, income and expenditure of jointly controlled entities are consolidated using the proportionate consolidation method. Under this method, the Bank's share of each of the assets, liabilities, income and expenses of the jointly controlled entity are reported in separate line items in the consolidated financial statements. The total assets at March 31, 2007 and total income for the year ended March 31, 2007 of the entities consolidated by the proportionate consolidation method is Rs. 128.2 million and Rs. 9.6 million respectively. The Bank does not consolidate entities where control is intended to be temporary. All significant inter-company accounts and transactions are eliminated on consolidation.

Basis of preparation

The accounting and reporting policies of the Company used in the preparation of these consolidated financial statements conform to generally accepted accounting principles in India (Indian GAAP), guidelines issued by Reserve Bank of India ("RBI"), Insurance Regulatory and Development Authority ("IRDA") and National Housing Bank ("NHB") from time to time and as applicable to relevant companies and practices generally prevalent within the banking industry in India.

The Company follows the accrual method of accounting except where otherwise stated and historical cost convention. In case the accounting policies followed by a subsidiary or joint venture are different from those followed by the Bank, the same have been disclosed separately.

The preparation of consolidated financial statements requires management to make estimates and assumptions considered in the reported amounts of assets and liabilities as of the date of the consolidated financial statements and the reported income and expenses during the reporting period. The management believes that the estimates used in the preparation of the consolidated financial statements are prudent and reasonable. Actual results could differ from these estimates.

The consolidated financial statements include the results of the following entities.

Sr. No.	Name of the entity	Country of incorporation	Nature of relationship	Nature of business	Ownership interest
1	ICICI Securities Primary Dealership Limited (formerly ICICI Securities Limited) ¹	India	Subsidiary	Investment banking	99.94%
2	ICICI Securities Limited (formerly ICICI Brokerage Services Limited) ^{2, 3, 4}	India	Subsidiary	Securities broking	99.94%
3	ICICI Securities Inc.	USA	Subsidiary	Investment banking and securities broking	99.94%

Sr. No.	Name of the entity	Country of incorporation	Nature of relationship	Nature of business	Ownership interest
4	ICICI Securities Holdings Inc.	USA	Subsidiary	Investment banking	99.94%
5	ICICI Venture Funds Management Company Limited	India	Subsidiary	Venture fund management	100.00%
6	ICICI Home Finance Company Limited ⁵	India	Subsidiary	Housing finance	100.00%
7	ICICI Trusteeship Services Limited	India	Subsidiary	Trusteeship services	100.00%
8	ICICI Investment Management Company Limited	India	Subsidiary	Investment management	100.00%
9	ICICI International Limited	Mauritius	Subsidiary	Offshore fund management	100.00%
10	ICICI Bank UK PLC. (formerly ICICI Bank UK Limited)	United Kingdom	Subsidiary	Banking	100.00%
11	ICICI Bank Canada	Canada	Subsidiary	Banking	100.00%
12	ICICI Bank Eurasia Limited Liability Company ⁶	Russia	Subsidiary	Banking	100.00%
13	ICICI Property Trust	India	Consolidated as per Accounting Standard ('AS') 21	Assets and investments management	100.00%
14	ICICI Eco-net Internet and Technology Fund	India	Consolidated as per Accounting Standard ('AS') 21	Venture capital fund	92.03%
15	ICICI Equity Fund	India	Consolidated as per Accounting Standard ('AS') 21	Venture capital fund	100.00%
16	ICICI Emerging Sectors Fund	India	Consolidated as per Accounting Standard ('AS') 21	Venture capital fund	99.29%
17	ICICI Strategic Investment Fund	India	Consolidated as per Accounting Standard ('AS') 21	Venture capital fund	100.00%
18	ICICI Prudential Life Insurance Company Limited ⁷	India	Subsidiary	Life Insurance	73.86%

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Sr. No.	Name of the entity	Country of incorporation	Nature of relationship	Nature of business	Ownership interest
19	ICICI Lombard General Insurance Company Limited ⁷	India	Subsidiary	General Insurance	73.84%
20	ICICI Prudential Asset Management Company Limited ^{7, 8}	India	Subsidiary	Asset management company for ICICI Prudential Mutual Fund (formerly Prudential ICICI Mutual Fund)	50.99%
21	ICICI Prudential Trust Limited ^{7, 8}	India	Subsidiary	Trustee company for ICICI Prudential Mutual Fund (formerly Prudential ICICI Mutual Fund)	50.80%
22	TCW/ICICI Investment Partners LLC ⁹	Mauritius	Jointly controlled entity	Asset and fund management company	50.00%
23	TSI Ventures (India) Private Limited ⁹	India	Jointly controlled entity	Real estate consultant	50.00%

NOTES:

- Effective March 1, 2007, the name of ICICI Securities Limited has been changed to ICICI Securities Primary Dealership Limited.
- Effective March 26, 2007, the name of ICICI Brokerage Services Limited has been changed to ICICI Securities Limited.
- Effective October 1, 2006, ICICI Web Trade Limited has merged with ICICI Securities Limited (formerly ICICI Brokerage Services Limited), a subsidiary of the Bank.
- Includes direct and indirect holdings.
- Effective August 11, 2005, ICICI Distribution Finance Private Limited has merged with ICICI Home Finance Company Limited. Consequent to the merger, ICICI Distribution Finance Private Limited ceases to be a subsidiary of the Bank.
- ICICI Bank Eurasia Limited Liability Company has become a subsidiary of ICICI Bank Limited with effect from May 19, 2005, being the date of its acquisition.
- The financial statements of these jointly controlled entities have been consolidated as per AS 21 on "Consolidated Financial Statements" consequent to the limited revision to AS 27 on "Financial Reporting of Interests in Joint Ventures".
- The name of Prudential ICICI Asset Management Company Limited and Prudential ICICI Trust Limited has been changed to ICICI Prudential Asset Management Company Limited and ICICI Prudential Trust Limited respectively.
- These entities have been consolidated as per the proportionate consolidation method as prescribed by AS 27 on "Financial Reporting of Interests in Joint ventures".
- ICICI Wealth Management Inc. ("ICICI WM") was incorporated as a 100% subsidiary of ICICI Bank Canada on July 28, 2006. ICICI WM received a Limited Market Dealer license from the Ontario Securities Commission on March 2, 2007, which permits ICICI WM to provide wealth management services to Accredited Investors and Sophisticated Investors (both as defined in Canadian regulations) in Canada (except those in the provinces of Newfoundland and Labrador). ICICI WM has not yet been capitalised and is yet to commence operations, both of which are expected shortly.

A. SIGNIFICANT ACCOUNTING POLICIES

1. Foreign currency transactions

The consolidated financial statements of the Company are reported in Indian rupees (Rs.), the national currency of India. Foreign currency income and expenditure items are translated as follows:

- For domestic operations, at the exchange rates prevailing on the date of the transaction with the resultant gain or loss accounted for in the profit and loss account.
- For integral foreign operations (representative offices), at weekly average closing rates with the resultant gain or loss accounted for in the profit and loss account. An integral foreign operation is a subsidiary, associate, joint venture or branch of the reporting enterprise, the activities of which are based or conducted in a country other than the country of the reporting enterprise but are an integral part of the reporting enterprise.
- For non-integral foreign operations (foreign branches and off-shore banking units), at the quarterly average closing rates with the resultant gains or losses accounted for as foreign currency translation reserve.

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 profit/loss on exchange differences are accumulated in the foreign currency translation reserve until the disposal of the net investment in the non-integral foreign operations.

The premium or discount arising on inception of forward exchange contracts that are entered into to establish the amount of reporting currency required or available at the settlement date of a transaction is amortised over the life of the contract. All other outstanding forward exchange contracts are revalued at the exchange rates notified by FEDAI for specified maturities and at interpolated rates for contracts of in-between maturities. The resultant gains or losses are recognised in the profit and loss account.

Contingent liabilities on account of guarantees, endorsements and other obligations denominated in foreign currency are disclosed at the closing exchange rates notified by FEDAI at the balance sheet date.

2. Revenue recognition

- Interest income is recognised in the profit and loss account as it accrues except in the case of non-performing assets ("NPAs") where it is recognised, upon realisation, as per the prudential norms of RBI.
- Income from hire purchase operations is accrued by applying the implicit interest rate on outstanding balances.
- Income from leases is calculated by applying the interest rate implicit in the lease to the net investment outstanding on the lease over the primary lease period. Leases entered into till March 31, 2001 have been accounted for as operating leases. Leases effective from April 1, 2001 are accounted as advances at an amount equal to the net investment in the lease. The lease rentals are apportioned between principal and finance income based on a pattern reflecting a constant periodic return on the net investment of outstanding in respect of finance lease. The principal amount is recognised as repayment of advances and the finance income is reported as interest income.
- Income on discounted instruments is recognised over the tenure of the instrument on a constant yield basis.
- Dividend income is accounted on an accrual basis when the right to receive the dividend is established.
- Loan processing fee is accounted for upfront when it becomes due.
- Project appraisal/structuring fee is accounted for at the completion of the agreed service.
- Arranger fee is accounted for as income when a significant portion of the arrangement/syndication is completed.

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- Commission received on guarantees issued is amortised on a straight-line basis over the period of the guarantee.
- Net income arising from sell down/securitisation of loan assets prior to February 1, 2006 has been recognised upfront in interest income. Effective 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 without any recourse obligation, is recognised at the time of sale.
- Income from brokerage activities is recognised as income on the trade date of the transaction. Brokerage income in relation to public issues/other securities is recognised based on mobilisation and terms of agreement with the client. The Company follows trade date method for accounting of its investments.
- Life insurance premium is recognised as income when due. Premium on lapsed policies is recognised as income when such policies are reinstated. For linked business, premium is recognised when the associated units are allotted. Income from linked funds, which includes fund management charges, administrative charges and mortality charges is recovered from the linked fund in accordance with the terms and conditions of the policy and is accounted on accrual basis.
- General insurance premium is recognised as income over the period of risk or the contract period based on 1/365 method, whichever is appropriate on a gross basis, net of service tax. Any subsequent revision to premium is recognised over the remaining period of risk or contract period. Adjustments to premium income arising on cancellation of policies are recognised in the period in which the policies are cancelled. Commission on re-insurance business is recognised as income in the period of ceding the risk. Profit commission under re-insurance treaties is recognised as income in the period of determination of profits.
- Insurance premium on ceding of the risk is recognised in the period in which the risk is ceded. Any subsequent revision to premium ceded is recognised in the period of such revision. Adjustment to re-insurance premium arising on cancellation of policies is recognised in the period in which it is cancelled. In case of life insurance business, re-insurance premium ceded is accounted in accordance with the treaty or in-principal arrangement with the re-insurer.
- Premium deficiency is recognised when the sum of expected claim costs and related expenses exceed the reserve for unexpired risks and is computed at a business segment level.

3. Stock based compensation

The following entities within the group have issued stock options to their employees.

- ICICI Bank Limited
- ICICI Prudential Life Insurance Company Limited
- ICICI Lombard General Insurance Company Limited

The Employee Stock Option Scheme ("the scheme") provides for grant of equity shares of the Bank to employees of the Bank. 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. ICICI Prudential Life Insurance Company Limited and ICICI Lombard General Insurance Company Limited have also formulated similar stock option schemes for their employees. ICICI Securities Primary Dealership Limited has approved a Long Term Incentive Scheme for its employees. As per this scheme, long term incentive units (incentive units) are granted to employees, which vests over a vesting period specified in the scheme. Each incentive unit is equal to one notional share of ICICI Securities Primary Dealership Limited.

The Company follows the intrinsic value method to account for its stock-based employees compensation plans. Compensation is cost measured as the excess, if any, of the fair market price of the underlying stock over the exercise price. The fair market price is the latest closing price, immediately prior to the date of the Board of Directors meeting in which the options are granted, on the stock exchange on which the shares of the Bank are listed. If the shares are listed on more than one stock exchange, then the stock exchange where there is highest trading volume on the said date shall be considered. In case of ICICI Prudential Life Insurance Company Limited and ICICI Lombard General Insurance Company Limited, the fair value of the shares is determined based on an independent valuer's report.

Since the exercise price of the Bank's stock option is equal to the fair value price there is no compensation cost under the intrinsic value method.

4. Income taxes

Income tax expense is the aggregate amount of current tax, deferred tax and fringe benefit tax charge. Current year taxes are determined in accordance with the Income-tax Act, 1961. Deferred tax adjustments comprise of changes in the deferred tax assets or liabilities during the period.

Deferred tax assets and liabilities are recognised on a prudent basis for the future tax consequences of timing differences arising between the carrying values of assets and liabilities and their respective tax basis, and carry forward losses. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. The impact of changes in the deferred tax assets and liabilities is recognised in the profit and loss account.

Deferred tax assets are recognised and reassessed at each reporting date, based upon management's judgement as to whether realisation is considered certain. Deferred tax assets are recognised on carry forward of unabsorbed depreciation, tax losses and carry forward capital losses, only if there is virtual certainty that such deferred tax asset can be realised against future profits.

In the consolidated financial statements, deferred tax assets and liabilities are computed at individual entity level and aggregated for consolidated reporting.

5. Claims and benefits paid

In case of general insurance business, claims comprise claims paid, estimated liability for outstanding claims made following a loss occurrence reported and estimated liability for claims incurred but not reported ('IBNR') and claims incurred but not enough reported ('IBNER'). Further, claims incurred also include specific claim settlement costs such as survey/legal fees and other directly attributable costs. Claims (net of amounts receivable from re-insurers/co-insurers) are recognised on the date of intimation of the loss. Estimated liability for outstanding claims at the balance sheet date is recorded net of claims recoverable from/payable to co-insurers/re-insurers and salvage to the extent there is certainty of realisation. Estimated liability for outstanding claim is determined by the entity on the basis of ultimate amounts likely to be paid on each claim based on past experience. These estimates are progressively revalidated on availability of further information. Claims IBNR represent that amount of claims that may have been incurred during the accounting period but have not been reported or claimed. The claims IBNR provision also includes provision, if any, required for claims IBNER. Liability for claims IBNR/claims IBNER is based on an actuarial estimate duly certified by the appointed actuary of the entity. In case of life insurance business, claims other than maturity claims are accounted for on receipt of intimation. Maturity claims are accounted when due for payment. Re-insurance on such claims is accounted for in the same period as the related claims. Withdrawals under linked policies are accounted in the respective schemes.

6. Liability for life policies in force

In respect of life insurance business, liability for life policies in force and also policies in respect of which premium has been discontinued but a liability exists, is determined by the appointed actuary on the basis of an annual review of the life insurance business, as per the gross premium method in accordance with accepted actuarial practice, requirements of the IRDA and the Actuarial Society of India. The linked policies sold by the entity carry two types of liabilities – unit liability representing the fund value of policies and non-unit liability for future expenses, meeting death claims, income taxes and cost of any guarantees.

7. Reserve for unexpired risk

Reserve for unexpired risk is recognised net of re-insurance ceded and represents premium written that is attributable and to be allocated to succeeding accounting periods for risks to be borne by the entity under contractual obligations on contract period basis or risk period basis, whichever is appropriate. It is calculated on a daily pro-rata basis subject to a minimum of 50% of the premium written during the 12 months preceding the balance sheet date for fire, marine, cargo and miscellaneous business and 100% for marine hull business, in accordance with the provisions of the Insurance Act, 1938.

8. Actuarial method and valuation

In case of life insurance business, the actuarial valuation liability on both participating and non-participating policies is calculated using the gross premium method. The gross premium reserves are calculated using assumptions for interest, mortality, expense and inflation and in the case of participating policies, the future bonuses together with allowance for taxation and allocation of profits to shareholders. These assumptions are determined as prudent estimates at the date of valuation with allowances for adverse deviations.

The interest rates used for valuing the liabilities are in the range of 4.7% to 10.0% per annum (previous year – 4.7% to 10.0% per annum).

Mortality rates used are based on the published L.I.C. (1994-96) Ultimate Mortality Table, adjusted to reflect expected experience and allowances for adverse deviation. Expenses are provided for, at long-term expected renewal expense levels.

Unearned premium reserves are held for the unexpired portion of the risk for the general fund liabilities of linked business and riders there under and one year renewable group term insurance.

The unit liability in respect of linked business has been taken as the value of the units standing to the credit of policyholders, using the net asset value (NAV) prevailing at the valuation date. The adequacy of charges under unit-linked policies to meet future expenses has been tested and provision made as appropriate. Provision has also been made for the cost of guarantee under unit-linked products that carry a guarantee.

9. Acquisition costs for insurance business

Acquisition costs are those costs that vary with, and are primarily related to the acquisition of new and renewal of insurance contracts including commissions and policy issue expenses. These costs are expensed in the period in which they are incurred.

10. Staff retirement benefits**Gratuity**

ICICI Bank pays gratuity to employees who retire or resign after a minimum period of five years of continuous service. ICICI Bank makes contributions to three separate gratuity funds, for employees inducted from erstwhile ICICI Limited (ICICI), employees inducted from erstwhile Bank of Madura and employees of ICICI Bank other than employees inducted from erstwhile ICICI and erstwhile Bank of Madura.

Separate gratuity funds for employees inducted from erstwhile ICICI and erstwhile Bank of Madura are managed by ICICI Prudential Life Insurance Company Limited. Actuarial valuation of the gratuity liability is determined by an actuary appointed by ICICI Prudential Life Insurance Company Limited. The investments of the funds are made according to rules prescribed by the Government of India. The gratuity fund for employees of ICICI Bank, other than employees inducted from erstwhile ICICI and erstwhile Bank of Madura, is administered by the Life Insurance Corporation of India and ICICI Prudential Life Insurance Company Limited. In accordance with the gratuity fund's rules, actuarial valuation of gratuity liability is calculated based on certain assumptions regarding rate of interest, salary growth, mortality and staff attrition as per the projected unit credit method.

As per the transition provision of AS 15 (Revised) on "Accounting for retirement benefits in financial statements of employer", the difference in the liability on account of gratuity benefits created by the Bank at March 31, 2006 due to the revised standard have been included in Schedule 2 ("Reserves and Surplus").

Superannuation Fund

ICICI Bank contributes 15.0% of the total annual salary of each employee to a superannuation fund for ICICI Bank employees. ICICI Bank's employees get an option on retirement or resignation to receive one-third of the total balance and a monthly pension based on the remaining two-third balance. In the event of death of an employee, his or her beneficiary receives the remaining accumulated two-third balance. ICICI Bank also gives cash option to its employees, allowing them to receive the amount contributed by ICICI Bank in their monthly salary during their employment. Upto March 31, 2005, the superannuation fund was administered solely by the Life Insurance Corporation of India. Subsequent to March 31, 2005, the fund is being administered by both Life

Insurance Corporation of India and ICICI Prudential Life Insurance Company Limited. Employees 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. The plan provides for a pension payment on a monthly basis to these employees on their retirement based on the respective employee's salary and years of employment with the Bank. Employees covered by the pension plan are not eligible for benefits under the provident fund plan, a defined contribution plan.

As per the transition provision of AS 15 (Revised) on "Accounting for retirement benefits in financial statements of employer", the difference in the liability on account of pension benefits created by the Bank at March 31, 2006 due to the revised standard have been included in Schedule 2 ("Reserves and Surplus").

Provident Fund

ICICI Bank is statutorily required to maintain a provident fund as a part of its retirement benefits to its employees. There are separate provident funds for employees inducted from erstwhile Bank of Madura (other than those employees who have opted for pensions), and for other employees of ICICI Bank. These funds are managed by in-house trustees. Each employee contributes 12.0% of his or her basic salary (10.0% for clerks and sub-staff of erstwhile Bank of Madura) and ICICI Bank contributes an equal amount of the funds. The investments of the funds are made according to rules prescribed by the Government of India.

Leave encashment

The Bank provides for leave encashment benefit, which is a defined benefit scheme, based on actuarial valuation as at the balance sheet date conducted by an independent actuary.

In respect of other entities within the group, retirement benefits in the form of provident fund and other defined contribution schemes, the contribution payable by the entity for the year is charged to the profit and loss account for that year. In respect of gratuity benefit and other benefit schemes, where the entity makes payments for retirement benefits out of its own funds, provisions are made in the profit and loss account based on actuarial valuation.

As per the transition provision of AS 15 (Revised) on "Accounting for retirement benefits in financial statements of employer", the difference in the liability on account of leave encashment benefits created by the Bank at March 31, 2006 due to the revised standard have been included in Schedule 2 ("Reserves and Surplus").

11. Provisions, contingent liabilities and contingent assets

The Company estimates the probability of any loss that might be incurred on outcome of contingencies on the basis of information available upto the date on which the consolidated financial statements are prepared. A provision is recognised when an enterprise has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are determined based on management estimate required to settle the obligation at the balance sheet date, supplemented by experience of similar transactions. These are reviewed at each balance sheet date and adjusted to reflect the current estimates. In cases where the available information indicates that the loss on the contingency is reasonably possible but the amount of loss cannot be reasonably estimated, a disclosure is made in the consolidated financial statements. In case of remote possibility neither provision nor disclosure is made in the consolidated financial statements. The Company does not account for contingent assets, if any.

12. 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.

13. Investments

Investments of the Bank are accounted for in accordance with the extant RBI guidelines on investment classification and valuation as given below:

- a) All investments are categorised into 'Held to Maturity', 'Available for Sale' and 'Held for Trading' categories. Re-classifications, if any, in any category are accounted for as per the RBI guidelines.

Under each category, the investments are further classified under (a) government securities (b) other approved securities (c) shares (d) bonds and debentures (e) subsidiaries and joint ventures and (f) others.

- b) 'Held to Maturity' securities are carried at their acquisition cost or at amortised cost, if acquired at a premium over the face value. Any premium over the face value of the securities acquired is amortised over the remaining period to maturity on the basis of constant effective yield. A provision is made for other than temporary diminution in the profit and loss account.
- c) 'Available for Sale' and 'Held for Trading' securities are valued periodically as per RBI guidelines. Any premium over the face value of the investments in government securities classified as 'Available for Sale' is amortised over the remaining period to maturity on the basis of constant effective yield. Quoted investments are valued based on the trades/quotes on the recognized stock exchanges, SGL account transactions, price list of RBI or prices declared by Primary Dealers Association of India jointly with Fixed Income Money Market and Derivatives Association ("FIMMDA"), periodically.

The market/fair value of unquoted government and other approved securities ("SLR") included in the 'Available for Sale' and 'Held for Trading' categories is as per the rates published by FIMMDA. The valuation of other than government and other approved securities ("Non-SLR securities"), other than those quoted on the stock exchanges, wherever linked to the Yield-to-Maturity ("YTM") rates, is computed with a mark-up (reflecting associated credit risk) over the YTM rates for government securities published by FIMMDA.

Unquoted equity shares are valued at the book value, if the latest balance sheet is available or at Re. 1 as per RBI guidelines.

Securities are valued scrip-wise and depreciation/appreciation aggregated for each category. Net appreciation, if any, in each basket, being unrealised, is ignored, while net depreciation is provided for.

- d) Costs including brokerage and commission pertaining to investments, paid at the time of acquisition, are charged to the profit and loss account.
- e) 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.
- f) At the end of each reporting period, security receipts issued by the asset reconstruction company are valued in accordance with the guidelines prescribed by RBI. Accordingly, as the security receipts issued by the asset reconstruction company are limited to the actual realisation of the financial assets assigned to the instruments in the concerned scheme, the Bank considers the Net Asset Value ("NAV"), obtained from the asset reconstruction company, for valuation of such investments at each reporting period end.
- 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.

The venture capital investments are carried at fair values, with unrealised gains and temporary losses on investments recognised as components of investors' equity and accounted for in the unrealised investment reserve account. The realised gains and losses on investments and units in mutual funds and unrealised gains or losses on restatement of units in mutual funds are accounted for in the profit and loss account. Provisions are made in respect of accrued income considered doubtful. Such provisions as well as any subsequent recoveries are recorded through the profit and loss account. Subscription to/purchase of investments are accounted at the cost of acquisition inclusive of brokerage, commission and stamp duty. Bonus shares and right entitlements are recorded when such benefits are known. Quoted investments are valued on the valuation date at the closing market price. Quoted investments that are not traded on the valuation date but are traded during the two months prior to the valuation date are valued at the latest known closing price. An appropriate discount is applied where the asset management company considers it necessary to reflect restrictions on disposal. Quoted investments not traded during the two months prior to the valuation date are treated as unquoted. Unquoted investments are valued at their estimated fair values by applying appropriate valuation

methods. Where there is a decline, other than temporary in the carrying amounts of investments, the resultant reduction in the carrying amount is charged to the profit and loss account during the period in which such decline is identified.

The Bank's investment banking subsidiary classifies its investments as short-term and trading or as long-term investments. The securities held with the intention of holding for short-term and trading are classified as stock in trade and the securities acquired with the intention of holding till maturity or for a longer period are classified as long-term investments. The securities held as stock in trade are valued at lower of cost arrived at on weighted average basis or market/fair value and long-term investments are carried at cost arrived at on a weighted average basis. Appropriate provision is made for other than temporary diminution in the value of investments. Commission earned in respect of securities acquired upon devolvement is reduced from the cost of acquisition.

The Bank's housing finance subsidiary classifies its investments as current investments and long-term investments. Investments that are readily realisable and intended to be held for not more than a year are classified as current investments, which are carried at the lower of cost or the market value. All other investments are classified as long-term investments, which are carried at cost. However a provision for diminution in value is made to recognise any other than temporary decline in the value of investments. Costs such as brokerage, commission etc. paid at the time of acquisition of investments are included in the investment cost.

The investments in real estate made by the insurance subsidiaries are valued at historical cost subject to provision for impairment, if any. Revaluation of investments in real estate is done at least once in every three years.

14. Provisions/write-offs on loans and other credit facilities

All credit exposures of the Bank 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. Subject to the minimum provisioning levels prescribed by RBI, provision on homogeneous retail loans/receivables is assessed at a portfolio level, on the basis of days past due.

For restructured/rescheduled assets, provision is made by the Bank 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.

In the case of NPAs other than restructured NPA accounts, the account is upgraded to the standard category, if arrears of interest and principal are fully paid by the borrower. In respect of NPA accounts subjected to restructuring, the account is upgraded as "standard" account if arrears of interest and principal are fully paid by the borrower.

In respect of non-performing loan accounts subjected to restructuring, the account is upgraded to standard only after the specified period i.e. a period of one year after the date when first payment of interest or of principal, whichever is earlier, falls due, subject to satisfactory performance of the account during the period.

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.

In addition to the specific provision on NPAs, the Bank maintains a general provision on performing loans. The general provision meets the requirements of the RBI guidelines.

In addition to the provisions required to be held according to the asset classification status, provisions are held by the Bank for individual country exposure (other than for home country). The countries are categorised into seven-risk categories namely insignificant, low, moderate, high, very high, restricted and off-credit and provisioning made on exposures exceeding 90 days on a graded scale ranging from 0.25% to 100%. For exposures with contractual maturity of less than 90 days, 25% of the provision is required to be held. If the country exposure (net) of the Bank in respect of each country does not exceed 1% of the total funded assets, no provision is maintained on such country exposure.

In the case of the Bank's investment-banking subsidiary, the policy of provisioning against NPAs is as per the prudential norms prescribed by the RBI for non-banking financial companies. As per the policy adopted, the

provision against sub-standard assets are determined, taking into account management's perception of the higher risk associated with the business of the company. Certain NPAs are considered as loss assets and full provision has been made against such assets.

In case of the Bank's housing finance subsidiary, loans and other credit facilities are classified as per the NHB guidelines into performing and non-performing assets. Further, NPA's are classified into sub-standard, doubtful and loss assets based on criteria stipulated by NHB. Additional provisions are made against specific non performing assets over and above what is stated above, if in the opinion of the management, increased provisions are necessary.

In the case of the Bank's Canadian subsidiary, loans are stated net of allowance for credit losses. Loans are classified as impaired when there is no longer reasonable assurance of the timely collection of the full amount of principal or interest. An allowance for credit losses is maintained at a level that management considers adequate to absorb identified credit related losses as well as losses that have been incurred but are not yet identifiable.

15. Transfer and servicing of assets

The Bank transfers commercial and consumer loans through securitisation transactions. The transferred loans are de-recognised and gains/losses, net of provisions, are accounted for only if the Bank surrenders the rights to benefits specified in the loan contract. Recourse and servicing obligations are reduced from proceeds of the sale. Retained beneficial interests in the loans are measured by allocating the carrying value of the loans between the assets sold and the retained interest, based on the relative fair value at the date of the securitisation.

In accordance with 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.

16. 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, except for those relating to venture capital, investment banking and asset management subsidiaries where depreciation is charged on a written down value method. The rates of depreciation for fixed assets are not lower than the rates prescribed in schedule XIV of the Companies Act, 1956.

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 of the Companies Act, 1956, whichever is higher.

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.

Items costing up to Rs. 5,000/- are depreciated fully over a period of 12 months from the date of purchase.

In case of the Bank's life insurance subsidiary, assets costing upto Rs. 20,000 are fully depreciated in the year of acquisition. Intangible assets comprising software are stated at cost less amortisation. Significant improvements to software are capitalised while the insignificant improvements are charged off as software expenses. Software expenses, that are capitalised, are amortised on straight-line method over a period of three years from the date they are put to use, being management's estimate of the useful life of such intangibles. Depreciation on furniture and fixtures is charged @ 25% per annum.

In case of the Bank's general insurance and housing finance subsidiary, computer software are stated at cost less amortisation. Computer software including improvements is amortised over a period of five years, being management's estimate of the useful life of such intangibles.

In case of the investment banking subsidiary, membership right to the stock exchange is treated as an asset and the value paid to acquire such rights is amortised over a period of 10 years.

17. Accounting for derivative contracts

The Company enters into derivative contracts such as foreign currency options, interest rate and currency swaps and cross currency interest rate swaps for hedging or for trading purposes.

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/options 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/loss, (net of provisions, if any) is accounted for in the profit and loss account.

18. Impairment of assets

Fixed assets and certain intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net discounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment is recognised by debiting the profit and loss account and is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

19. Earnings per share ("EPS")

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 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 reflects 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.

20. 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.

B. NOTES FORMING PART OF THE ACCOUNTS

The following additional disclosures have been made taking into account the requirements of accounting standards and RBI guidelines in this regard.

1. Merger of Sangli Bank

On December 9, 2006, the Board of Directors of ICICI Bank Limited and the Board of Directors of the Sangli Bank Limited ("Sangli Bank") at their respective meetings, approved and all-stock amalgamation of Sangli Bank with ICICI Bank at a share exchange ratio of 100 shares of ICICI Bank for 925 shares of Sangli Bank. The shareholders of Sangli Bank have approved the scheme in their extra-ordinary general meeting held on January 15, 2007 and the shareholders of ICICI Bank have approved the scheme of amalgamation in their extra-ordinary general meeting held on January 20, 2007.

RBI has sanctioned the scheme of amalgamation with effect from April 19, 2007 vide its order DBOD No. PSBD 10268 / 16.01.128/2006-07 under sub-section (4) of section 44A of the Banking Regulation Act, 1949.

At the year ended March 31, 2006, Sangli Bank had total assets of Rs. 21,508.5 million, deposits of Rs. 20,043.3 million, loans of Rs. 8,882.8 million and capital adequacy of 1.6%. During the year ended March 31, 2006, it incurred a loss of Rs. 292.7 million.

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2. Equity issue of ICICI Bank Limited

During the year ended March 31, 2006, the Bank raised equity capital amounting to Rs. 80,006.1 million. The expenses of the issue amounting to Rs. 874.1 million have been charged to the share premium account. The details of the equity capital raised are given in the table below:

Rupees in million, except per share data

Details	No. of equity shares	Amount of share premium	Aggregate proceeds
Fully paid equity shares of Rs. 10 each at a premium of Rs. 515 per share	67,787,322	34,910.5	35,588.3
Fully paid equity shares of Rs. 10 each at a premium of Rs. 488.75 per share	28,894,060	14,122.0	14,410.9
18,618,730 American Depository Share ("ADS") at a price of US\$ 26.75 per share ¹	37,237,460	22,134.6	22,506.9
Fully paid equity shares of Rs. 10 each issued by exercise of the green shoe option	14,285,714	7,357.1	7,500.0
Total	148,204,556	78,524.2	80,006.1

1. Includes 2,428,530 ADSs issued on exercise of the green shoe option.

3. Earnings per share ("EPS")

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 the net profit after tax attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

Diluted earnings per share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the year.

The computation of earnings per share is given below:

Rupees in million, except per share data

	Year ended March 31, 2007	Year ended March 31, 2006
Basic		
Weighted average no. of equity shares outstanding	892,820,768	781,693,773
Net profit	27,606.3	24,200.9
Basic earnings per share (Rs.)	30.92	30.96
Diluted		
Weighted average no. of equity shares outstanding	897,743,476	789,963,635
Net profit	27,606.3	24,200.9
Diluted earnings per share (Rs.)	30.75	30.64
Normal value per share (Rs.)	10.0	10.0

The dilutive impact is mainly due to options granted to employees by the Bank.

4. Related party transactions

The significant transactions between the company and key management personnel¹ are given below:

Interest income

During the year ended March 31, 2007, the Bank received interest from its key management personnel¹ amounting to Rs. 0.7 million (March 31, 2006: Rs. 0.5 million).

Dividend paid

During the year ended March 31, 2007, the Bank paid dividend to its key management personnel amounting to Rs. 4.4 million (March 31, 2006: Rs. 3.2 million).

Remuneration to whole-time directors

During the year ended March 31, 2007, the Bank paid remuneration to its whole-time directors amounting to Rs. 87.0 million (March 31, 2006: Rs. 75.9 million).

Related party balances

The following are the balances payable to/receivable from key management personnel as on March 31, 2007:

Rupees in million

Items	As on March 31, 2007	As on March 31, 2006
Deposits	79.7	24.9
Advances	20.6	15.4
Investments	14.1	4.3

The following balances represent the maximum balance payable to/receivable from key management personnel during the year ended March 31, 2007:

Rupees in million

Items	Year ended March 31, 2007	Year ended March 31, 2006
Deposits	129.0	46.1
Advances	20.8	21.2
Investments	14.1	4.4

1. Includes whole-time directors and their relatives.

5. 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 of the date(s) of the grant of options.

In terms of the scheme, 13,187,783 option (March 31, 2006: 17,362,584 options) granted to eligible employees were outstanding at March 31, 2007.

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. There is no compensation cost in year ended March 31, 2007 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 in year ended March 31, 2007 would have been higher by Rs. 827.4 million. The key assumptions used to estimate the fair value of options are given below:

Risk-free interest rate	5.12% - 8.22%
Expected life	3 – 6 years
Expected volatility	36.34% - 41.03%
Expected dividend yield	1.44% - 4.06%

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A summary of the status of the Bank's stock option plan is given below:

Rupees, except number of shares

Particulars	Stock options outstanding			
	Year ended March 31, 2007		Year ended March 31, 2006	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding at the beginning of the year	17,362,584	262.60	18,215,335	207.33
Add: Granted during the year	6,439,900	582.26	4,981,780	362.12
Less: Forfeited / lapsed during the year	1,127,650	422.81	931,280	261.89
Exercised during the year ¹	9,487,051	210.47	4,903,251	158.50
Outstanding at the end of the year	13,187,783	442.50	17,362,584	262.60
Options exercisable	326,259	225.80	4,451,704	194.00

1. Excludes options exercised but not allotted.

A summary of stock options outstanding as on March 31, 2007 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)
105-300	203,190	168.24	4.50
301-600	12,861,093	442.93	8.27
601-1000	123,500	849.22	9.69

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, 2007 was Rs. 750.58 (March 31, 2006: Rs. 531.34).

ICICI Prudential Life Insurance Company Limited has formulated three ESOS schemes, namely "Founder option", "FY 2004-05 scheme" and "FY 2005-06 scheme".

During the year, ICICI Prudential Life Insurance Company Limited has recognised a compensation cost of Rs. 5.6 million. If the entity had used the fair value of options based on the Black-Scholes model, compensation cost in year ended March 31, 2007 would have been higher by Rs. 61.0 million. The key assumptions used to estimate the fair value of options are given below:

Risk-free interest rate	6.87%
Expected life	5 years
Expected volatility	28.7%
Expected dividend yield	1.50%

A summary of the status of the stock option plan – “Founder option” is given below:

Rupees, except number of shares

	Stock options outstanding			
	Year ended March 31, 2007		Year ended March 31, 2006	
Particulars	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding at the beginning of the year	2,287,500	30.00	2,665,500	30.00
Add: Granted during the year	-	-	-	-
Less: Forfeited / lapsed during the year	150,500	30.00	378,000	30.00
Exercised during the year	1,573,423	30.00	-	-
Outstanding at the end of the year	563,577	30.00	2,287,500	30.00
Options exercisable	60,202	30.00	1,143,750	30.00

A summary of stock options outstanding as on March 31, 2007 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)
30.00	563,577	30.00	7.99

A summary of the status of the stock option plan – “FY 2004-05 scheme” is given below:

Rupees, except number of shares

	Stock options outstanding			
	Year ended March 31, 2007		Year ended March 31, 2006	
Particulars	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding at the beginning of the year	3,285,100	42.00	-	-
Add: Granted during the year	34,500	42.00	3,384,700	42.00
Less: Forfeited / lapsed during the year	228,100	42.00	99,600	42.00
Exercised during the year	822,113	42.00	-	-

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	Stock options outstanding			
	Year ended March 31, 2007		Year ended March 31, 2006	
Particulars	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding at the end of the year	2,269,387	42.00	3,285,100	42.00
Options exercisable	32,962	42.00	-	-

A summary of stock options outstanding as on March 31, 2007 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)
42.00	2,269,387	42.00	8.06

A summary of the status of the stock option plan – “FY 2005-06 scheme” is given below:

Rupees, except number of shares

	Stock options outstanding			
	Year ended March 31, 2007		Year ended March 31, 2006	
Particulars	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding at the beginning of the year	-	-	-	-
Add: Granted during the year	4,633,250	70.00	-	-
Less: Forfeited / lapsed during the year	186,250	70.00	-	-
Exercised during the year	-	-	-	-
Outstanding at the end of the year	4,447,000	70.00	-	-
Options exercisable	-	-	-	-

A summary of stock options outstanding as on March 31, 2007 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)
70.00	4,447,000	70.00	9.80

ICICI Lombard General Insurance Company Limited has granted stock options to employees based on an independent valuer's report. If the entity would have estimated fair value computed on the basis of Black Scholes pricing model, compensation cost for the year ended March 31, 2007 would have been higher by Rs 107.6 million. The key assumptions used to estimate the fair value of options are given below:

Risk-free interest rate	8.14% - 8.17%
Expected life	4 – 7 years
Expected volatility	17% - 20%
Expected dividend yield	1.00%

A summary of the status of the stock option plan of ICICI Lombard General Insurance Company Limited is given below:

Rupees, except number of shares

Particulars	Stock options outstanding			
	Year ended March 31, 2007		Year ended March 31, 2006	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding at the beginning of the year	4,093,060	35.00	-	-
Add: Granted during the year	4,296,500	40.00	4,317,060	35.00
Less: Forfeited / lapsed during the year	291,252	35.00	224,000	35.00
Exercised during the year	707,532	35.00	-	-
Outstanding at the end of the year	7,390,776	37.91	4,093,060	35.00
Options exercisable	304,114	35.00	-	-

A summary of stock options outstanding as on March 31, 2007 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)
35.00-40.00	7,390,776	37.91	9.58

If the Company had used the fair value of options based on the Black-Scholes model, the compensation cost in year ended March 31, 2007 would have been higher by Rs. 900.5 million and proforma consolidated profit after tax would have been Rs. 26,705.8 million. On a proforma basis, the Company's basic and diluted earnings per share would have been Rs. 29.91 and Rs. 29.75 respectively.

6. Fixed Assets

Fixed assets include software acquired by the Company. The movement in software is given below:

Rupees in million

Particulars	Year ended March 31, 2007	Year ended March 31, 2006
At cost as on March 31 of preceding year	3,347.0	2,784.4
Additions during the year	846.9	615.1
Deductions during the year	(92.5)	(52.5)
Depreciation / amortisation to date	(2,910)	(2,274.2)
Net Block	1,191.4	1,072.8

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7. Assets on lease

7.1 Assets given under operating lease

The details of future rentals receivable on operating leases are given below:

Rupees in million

Period	As on March 31, 2007	As on March 31, 2006
Not later than one year	-	128.2
Later than one year and not later than five years	-	605.9
Later than five years	-	2.0
Total	-	736.1

7.2 Assets taken under operating lease

The details of future rentals payable on operating leases are given below:

Rupees in million

Period	As on March 31, 2007	As on March 31, 2006
Not later than one year	987.8	614.7
Later than one year and not later than five years	3,034.0	1,976.1
Later than five years	1,498.0	806.7
Total	5,519.8	3,397.5

7.3 Assets under finance lease

The details of finance leases are given below:

Rupees in million

Period	As on March 31, 2007	As on March 31, 2006
Total of future minimum lease receipts	617.4	817.1
Present value of lease receipts	548.8	695.1
Un-matured finance charges	68.6	122.0
Maturity profile of future minimum lease receipts		
- Not later than one year	323.4	232.4
- Later than one year and not later than five years	294.0	584.7
- Later than five years	-	-
Total	617.4	817.1

7.4 Maturity profile of present value of lease rentals

The details of maturity profile of present value of finance lease receipts are given below:

Rupees in million

Period	As on March 31, 2007	As on March 31, 2006
Not later than one year	..	176.7
Later than one year and not later than five years	282.6	518.4
Later than five years	266.2	..
Total	548.8	695.1

8. Early retirement option ("ERO")

The Bank had implemented an Early Retirement Option Scheme 2003 for its employees in July 2003. All employees who had completed 40 years of age and seven years of service with the Bank (including period of service with entities amalgamated with the Bank) were eligible for the ERO. The ex-gratia payments under ERO, termination benefits and leave encashment in excess of the provision made (net of tax benefits), aggregating to Rs.1,910.0 million is being amortised over a period of five years commencing August 1, 2003 (the date of retirement of employees exercising the option being July 31, 2003). On account of the above ERO scheme, an amount of Rs. 384.0 million (March 31, 2006: Rs. 384.0 million) has been charged to revenue being the proportionate amount amortised for the year ended March 31, 2007.

9. Preference shares

Certain government securities amounting to Rs. 2,104.8 million (March 31, 2006: Rs. 2,001.1 million) have been earmarked against redemption of preference share capital, which falls due for redemption on April 20, 2018, as per the original issue terms.

For these preference shares, the notification dated April 17, 2002 from Ministry of Finance, Government of India, issued on the recommendation of Reserve Bank of India (RBI), under Section 53 of the Banking Regulation Act, 1949, had exempted the Bank from the restriction of Section 12(1) of the Banking Regulation Act, 1949, which prohibits the issue of preference shares by banks, for a period of five years. The Bank has applied to RBI for making a recommendation to Central Government for continuation of such exemption.

10. Transfer to Investment Fluctuation Reserve ("IFR")

An amount of Rs. 2,143.4 million being the excess balance in IFR account over the regulatory requirement was transferred to General Reserve account during the year ended March 31, 2005. RBI had subsequently instructed that this amount should be retained in IFR account itself. Accordingly, the said amount was transferred back to IFR account from the General Reserve account in the first quarter of the year ended March 31, 2006, making IFR account balance Rs. 7,303.4 million.

RBI required banks to create IFR aggregating to 5% of their investments in fixed income securities (in 'Available for Sale' category and Trading Book) over a five-year period starting from March 31, 2002. Accordingly, a further amount of Rs. 5,900.0 million was transferred to IFR account during the year ended March 31, 2006, making the IFR account balance Rs. 13,203.4 million. RBI had vide its circular DBOD.No.BP.BC.38/21.04.141/2005-06 dated October 10, 2005 permitted banks that have maintained capital of at least 9% of the risk weighted assets for both credit risk and market risk for both held for trading and available for sale categories of investments as on March 31, 2006, to transfer the balance in the IFR account 'below the line' in the Profit and Loss Appropriation Account to Statutory Reserve, General Reserve or balance of Profit and Loss Account.

Pursuant to the above, the entire IFR account balance of Rs.13,203.4 million has been transferred from IFR account to Revenue and other Reserves in the balance sheet during the year ended March 31, 2006.

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11. Staff retirement benefits

Reconciliation of opening and closing balance of the present value of the defined benefit obligation for pension and gratuity benefits of the Company is given below:

Rupees in million

Particulars	Year ended March 31, 2007	
	Pension	Gratuity
Defined benefit obligation liability at March 31, 2007		
Opening obligations	1,038.5	1,140.5
Service cost	6.7	288.0
Interest cost	78.0	81.9
Actuarial (gain) / loss	(28.2)	(61.9)
Liabilities extinguished on settlement	(2.3)	..
Benefits paid	(63.3)	(98.7)
Obligations at March 31, 2007	1,029.4	1,349.8
Plan assets at March 31, 2007, at fair value		
Opening plans assets, at fair value	1,079.5	838.1
Expected return on plan assets	78.9	84.5
Actuarial gain / (loss)	(110.1)	(13.5)
Assets distributed on settlement	(2.3)	..
Contributions	5.8	168.9
Benefits paid	(63.3)	(96.1)
Plan assets at March 31, 2007, at fair value	988.5	982.0
Fair value of plan assets at the end of the year	988.5	982.0
Present value of the defined benefit obligations at the end of the year	1,029.4	1,349.8
Asset / (liability) at March 31, 2007	(40.9)	(367.8)
Cost for the period		
Service cost	6.7	288.0
Interest cost	78.0	81.9
Expected return on plan assets	(78.9)	(84.5)
Actuarial (gain) / loss	81.9	(48.4)
Net cost	87.7	237.0
Investment details of plan assets		
Majority of the plan assets are invested in Government securities and corporate bonds in case of pension plan and insurer managed funds and special deposit schemes in case of gratuity plan.		
Assumptions		
Interest rate	8.35%	7.85% - 8.35%
Salary escalation rate	7.00%	6.00% - 20.00%
Estimated rate of return on plan assets	7.50%	7.00% - 7.50%

The estimates of future salary increases, considered in actuarial valuation, take into consideration inflation, seniority, promotion and other relevant factors.

12. Provision for income tax

The provision for income tax (including deferred tax and fringe benefit tax) for the year ended March 31, 2007 and for the year March 31, 2006 amounted to Rs. 7,610.7 million and Rs. 6,967.9 million respectively.

13. Deferred tax

As on March 31, 2007, the Company has recorded net deferred tax asset of Rs. 7,659.1 million (March 31, 2006: Rs. 2,467.9 million), which has been included in other assets. The break-up of deferred tax assets and liabilities into major items is given below:

Rupees in million		
Particulars	As on March 31, 2007	As on March 31, 2006
Deferred tax asset		
Provision for bad and doubtful debts	11,943.7	6,553.8
Capital loss	-	950.0
Others	1,835.0	1,426.0
Total deferred tax asset	13,778.7	8,929.8
Less: Deferred tax liability		
Depreciation on fixed assets	6,574.9	6,709.7
Others	-	-
Total deferred tax liability	6,574.9	6,709.7
Add: Net deferred tax asset pertaining to foreign branches / subsidiaries	455.3	247.8
Total net deferred tax asset / (liability)	7,659.1	2,467.9

As on March 31, 2007, the Life Insurance subsidiary has created a deferred tax asset, on carry forward unabsorbed losses, amounting to Rs. 690.0 million (March 31, 2006: Rs. 262.4 million) based on the virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

14. Information about business and geographical segments

Business Segments

For the year ended March 31, 2007, a new business segment viz. "Insurance" has been added for the purposes of consolidated segment reporting. The Company reports its operations into the following segments.

Consumer and commercial banking comprises the retail and corporate banking business of the Bank and its banking subsidiaries i.e. ICICI Bank UK PLC., ICICI Bank Canada and ICICI Bank Eurasia Limited Liability Company and ICICI Home Finance Company Limited.

Investment banking comprises the treasury operations of the Bank and its banking subsidiaries i.e. ICICI Bank UK PLC., ICICI Bank Canada and ICICI Bank Eurasia Limited Liability Company, ICICI Securities Primary Dealership Limited (formerly ICICI Securities Limited), ICICI Securities Limited (formerly ICICI Brokerage Services Limited), ICICI Securities Inc., and ICICI Securities Holdings Inc., ICICI Venture Funds Management Company Limited, ICICI Eco-net Internet and Technology Fund, ICICI Equity Fund, ICICI Strategic Investments Fund, ICICI Emerging Sectors Fund and ICICI International Limited.

Insurance comprises of ICICI Prudential Life Insurance Company Limited and ICICI Lombard General Insurance Company Limited.

Others comprises of ICICI Prudential Asset Management Company Limited, ICICI Prudential Trust Limited, ICICI Property Trust, ICICI Investment Management Company Limited, ICICI Trusteeship Services Limited, TCW/ICICI Investment Partners LLC and TSI Ventures (India) Private Limited.

Inter-segment transactions are generally based on transfer pricing measures as determined by the management. Income, expenses, assets and liabilities are either specifically identified with individual segments or are allocated to segments on a systematic basis.

Based on such allocation, consolidated segment balance sheet as on March 31, 2007 and March 31, 2006 and consolidated segment profit and loss account for the year ended March 31, 2007 and for the year ended March 31, 2006 has been prepared. Business segment results are given below.

Based on such allocations, consolidated segment balance sheet as on March 31, 2007 and March 31, 2006 and consolidated segment profit and loss account for the year ended March 31, 2007 and for the year ended March 31, 2006 have been prepared. Business segment results are given below:

Rupees in million

Sr. No.	Particulars	Consumer and commercial banking		Investment Banking		Insurance		Others		Total	
		For the year ended 31.03.07	For the year ended 31.03.06	For the year ended 31.03.07	For the year ended 31.03.06	For the year ended 31.03.07	For the year ended 31.03.06	For the year ended 31.03.07	For the year ended 31.03.06	For the year ended 31.03.07	For the year ended 31.03.06
1.	Revenue (before extraordinary profit)	242,354.5	157,541.3	88,495.9	46,383.9	101,415.6	53,386.1	2,393.1	1,427.8	434,659.1	258,739.1
2.	Less: Inter-segment revenue	"	"	"	"	"	"	"	"	(21,021.2)	(12,584.0)
3.	Total revenue (1) – (2)	242,354.5	157,541.3	88,495.9	46,383.9	101,415.6	53,386.1	2,393.1	1,427.8	413,637.9	246,155.1
4.	Operating profit (i.e. profit before unallocated expenses extraordinary profit, provision and tax)	47,501.1	33,572.8	14,295.0	6,621.4	(3,917.8)	(494.7)	526.6	337.7	58,404.9	40,037.2
5.	Unallocated expenses	"	"	"	"	"	"	"	"	384.0	384.0
6.	Provisions	22,355.6	7,532.1	419.7	922.4	"	"	(1.5)	(0.2)	22,773.8	8,454.3
7.	Profit before tax (4) – (5) – (6)	25,145.5	26,040.7	13,875.3	5,699.0	(3,917.8)	(494.7)	528.1	337.9	35,247.1	31,198.9
8.	Income tax expenses (net)/ (net deferred tax credit)	"	"	"	"	"	"	"	"	7,640.8	6,998.0
9.	Net profit (7) – (8)	25,145.5	26,040.7	13,875.3	5,699.0	(3,917.8)	(494.7)	528.1	337.9	27,606.3	24,200.9
Other information											
10.	Segment assets	2,253,098.2	1,735,245.8	1,455,864.0	892,103.3	188,501.7	109,667.3	(191.3)	1,067.6	3,897,272.6	2,738,084.0
11.	Unallocated assets	"	"	"	"	"	"	"	"	46,000.9	31,776.0
12.	Total assets (10) + (11)	2,253,098.2	1,735,245.8	1,455,864.0	892,103.3	188,501.7	109,667.3	(191.3)	1,067.6	3,943,273.5	2,769,860.0
13.	Segment liabilities	2,705,738.6	2,020,233.8	1,051,307.6	645,245.2	180,044.8	100,010.7	6,182.5	4,370.3	3,943,273.5	2,769,860.0
14.	Unallocated liabilities	"	"	"	"	"	"	"	"	"	"
15.	Total liabilities (13) + (14)	2,705,738.6	2,020,233.8	1,051,307.6	645,245.2	180,044.8	100,010.7	6,182.5	4,370.3	3,943,273.5	2,769,860.0

Geographical segments

The Company reports its operations under the following geographical segments.

- Domestic operations comprising branches and subsidiaries / joint ventures having operations in India.
- Foreign operations comprising branches and subsidiaries / joint ventures having operations outside India and offshore banking unit having operations in India.

Geographical segment results are given below:

Rupees in million

Particulars	Domestic Operations		Foreign Operations		Total	
	For the year ended March 31, 2007	For the year ended March 31, 2006	For the year ended March 31, 2007	For the year ended March 31, 2006	For the year ended March 31, 2007	For the year ended March 31, 2006
1. Revenue	387,026.3	232,115.1	26,611.6	14,040.0	413,637.9	246,155.1
2. Assets	3,351,835.0	2,436,465.6	591,438.5	333,394.4	3,943,273.5	2,769,860.0

15. Penalties imposed by RBI

There were no penalties imposed by RBI during the year ended March 31, 2007. A penalty of Rs. 0.5 million was imposed under Section 47A(1)(b) of the Banking Regulation Act, 1949 by RBI during the year ended March 31, 2006 citing contravention of RBI instructions relating to opening of accounts, monitoring of transactions for adherence to Know Your Customer ("KYC") / Anti Money Laundering ("AML") norms, and non-adherence to normal banking practices.

Securities and Futures Commission (SFC), Hong Kong 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.

16. Commission paid to marketing agents

Commission paid to direct marketing agents/dealers for origination of retail automobile loans, which was being netted from "Interest Income" up to the year ended March 31, 2006 has been reclassified to "Operating Expenses".

17. Premium amortisation

As per Reserve Bank of India 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 "Profit/(Loss) on revaluation of investments (net)" in Schedule 14, which was earlier included in "Provisions for investments (including credit substitutes) (net)" in Schedule 17.

18. Funds for future appropriation-linked business of ICICI Prudential Life Insurance Company Limited

Pursuant to a notification issued by IRDA dated March 29, 2006, the Appointed Actuary of ICICI Prudential Life Insurance Company Limited has determined an amount of Rs. 968.3 million (March 31, 2006: Rs. 792.2 million) as release of actuarial reserves on policies which have lapsed earlier.

ICICI Prudential Life Insurance Company Limited had in the previous year appropriated an amount of Rs. 792.2 million from the profit and loss account as Funds for Future Appropriation (FFA). This resulted in a lower amount of transfer to the policyholders' account, leading to lower losses in the profit and loss account in the previous year. Based on the requirements of IRDA, ICICI Prudential Life Insurance Company Limited has appropriated an amount of Rs. 968.3 million as FFA from the revenue account (policyholders' account) during the current year.

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In case ICICI Prudential Life Insurance Company Limited had followed the policy of appropriating FFA from the profit and loss account, the loss for the year would have been lower by Rs. 968.3 million. However, neither the carrying value of FFA nor the debit balance in Profit and Loss account in the Balance Sheet is impacted by this change. The cumulative balance of Rs. 1,760.4 million under FFA as at March 31, 2007 is not available for distribution to shareholders.

19. Additional disclosure

Additional statutory information disclosed in separate financial statements of the parent and subsidiaries having no material bearing on the true and fair view of the consolidated financial statements and the information pertaining to the items which are not material have not been disclosed in the consolidated financial statements.

20. Comparative figures

Previous period / year figures have been regrouped / reclassified, where necessary, to conform to current period classification.

Part XI of Annexure A
CONSOLIDATED CASH FLOW STATEMENT

(Rs. in million)

PARTICULARS	Year ended March 31				
	2003	2004	2005	2006	2007
Cash flow from operating activities					
Net profit before taxes	7,981.0	19,202.1	24,207.1	31,198.9	35,247.1
Adjustments for :					
Depreciation and amortisation	5,201.8	9,483.0	9,778.9	9,462.6	8,346.2
Net (appreciation) / depreciation on investments	2,442.7	76.4	5,287.5	8,660.8	12,161.0
Provision in respect of non-performing assets (including prudential provision on standard assets)	14,822.6	4,873.1	(889.9)	8,117.2	22,082.2
Provision for contingencies & others	63.9	207.9	86.0	203.6	307.7
(Profit) / loss on sale of fixed assets	66.6	32.8	9.2	(51.8)	(351.2)
	30,578.6	33,875.4	38,478.9	57,591.2	77,792.9
Adjustments for :					
(Increase) / decrease in investments	49,372.0	(58,802.6)	(50,917.3)	(203,374.1)	(173,187.4)
(Increase) / decrease in advances	(74,839.7)	(109,741.7)	(313,691.8)	(606,401.5)	(565,891.7)
Increase / (decrease) in borrowings	(36,281.5)	64,173.1	60,236.0	82,006.5	96,294.7
Increase / (decrease) in deposits	157,335.8	201,280.3	330,298.9	713,348.7	761,626.5
(Increase) / decrease in other assets	(16,655.9)	573.7	(28,297.4)	(45,598.5)	(27,065.2)
Increase / (decrease) in other liabilities and provisions	6,085.0	23,945.8	74,907.1	82,543.1	111,407.8
	85,015.7	121,428.8	72,535.6	22,524.3	203,184.7
(Payment) / refund of taxes (net)	(7,015.8)	(9,317.2)	(9,475.5)	(10,198.5)	(21,192.7)
Net cash generated from operating activities (A)	108,578.5	145,987.0	101,539.0	69,917.0	259,784.8
Cash flow from investing activities					
Purchase of fixed assets	(2,477.2)	(6,227.9)	(5,914.7)	(6,557.2)	(8,652.9)
Proceeds from sale of fixed assets	103.4	372.8	323.2	1,010.9	1,759.8
(Purchase) / sale of long-term investments	(56,671.4)	(18,135.9)	(37,444.2)	(96,168.4)	(204,006.4)
Acquisition of subsidiaries (net of cash acquired)	-	-	-	(688.7)	-
Net cash generated from investing activities (B)	(59,045.2)	(23,991.0)	(43,035.6)	(102,403.5)	(210,899.4)

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(Rs. in million)

PARTICULARS	Year ended March 31				
	2003	2004	2005	2006	2007
Cash flow from financing activities					
Proceeds from issue of share capital (including ESOPs)	-	539.1	32,572.8	79,850.5	2,055.4
Amount received on exercise of stock options & calls in arrears	0.3	-	-	-	-
Net proceeds / (repayment) of bonds (including subordinated debts)	(112,660.7)	(92,119.1)	(38,366.9)	6,534.1	172,962.9
Dividend and dividend tax paid	(0.6)	(5,354.9)	(6,381.7)	(7,598.7)	(9,072.1)
Net cash generated from financing activities (C)	(112,660.9)	(96,934.9)	(12,175.9)	78,785.9	165,946.2
Effect of exchange fluctuation on translation reserve (D)	-	(674.0)	65.4	(25.5)	(491.3)
Effect of deconsolidation of subsidiary on cash & cash equivalent (E)	(50.0)	-	-	-	-
Net increase / (decrease) in cash and cash equivalents (A) + (B) + (C) + (D) + (E) + (F)	(63,177.6)	24,387.1	46,392.9	46,273.9	214,340.4
Cash and cash equivalents as at 1st April	128,674.6	65,497.0	89,884.1	136,277.0	182,550.9
Cash and cash equivalents as at 31st March	65,497.0	89,884.1	136,277.0	182,550.9	396,891.3

Part XII of Annexure A

STATEMENT OF CONSOLIDATED BORROWINGS

(Rs. in million)

PARTICULARS	As on March 31,				
	2003	2004	2005	2006	2007
I. Borrowings In India					
i) Reserve Bank of India	8,000.0	-	-	-	1,400.0
ii) Other banks	36,837.5	36,831.1	47,413.6	73,138.8	78,545.4
iii) Other institutions and agencies				-	-
a) Government of India	5,210.4	4,411.5	3,612.5	2,813.6	2,171.9
b) Financial institutions	25,658.5	50,959.5	52,628.8	38,544.1	37,981.8
iv) Borrowings in the form of				-	-
a) Deposits (including deposits taken over from erstwhile ICICI Limited)	6,665.3	4,659.7	2,335.0	1,896.5	2,153.9
b) Commercial paper	2,270.7	742.8	989.4	497.0	4,995.5
c) Bonds and debentures (excluding subordinated debt)				-	-
- Debentures and bonds guaranteed by the Government of India	14,815.0	14,815.0	14,815.0	14,815.0	14,468.4
- Tax free bonds	800.0	-	-	-	-
- Borrowings under private placement of bonds carrying Maturity of 1 to 30 years from the date of placement	91,289.1	55,650.6	30,948.1	16,179.5	6,784.8
- Bonds issued under multiple option/safety bonds series				-	-
- Regular interest bonds	16,722.1	10,953.6	9,933.5	8,556.6	5,566.2
- Deep discount bonds	6,098.8	4,069.5	4,039.1	4,257.2	4,564.5
- Bonds with premium warrants	588.9	685.7	797.9	928.7	-
- Encash bonds	1,892.7	1,431.1	1,170.3	679.2	56.0
- Tax saving bonds	80,125.3	84,889.0	59,167.9	46,187.3	20,779.7
- Easy instalment bonds	31.3	-	-	-	-
- Pension bonds	54.5	56.9	59.4	61.1	61.6
d) Application money pending allotment	11,238.9	-	6,160.9	-	-
TOTAL BORROWINGS IN INDIA	308,299.0	270,156.0	234,071.4	208,554.5	179,529.7

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(Rs. in million)

PARTICULARS	As on March 31,				
	2003	2004	2005	2006	2007
II. Borrowings outside India					
i) From multilateral/bilateral credit agencies (guaranteed by the Government of India for the equivalent of Rs. 19,151.7 million at March 31, 2007 (March 31, 2006: Rs. 19,542.5 million, March 31, 2005 : Rs. 20,448.6 million, March 31, 2004: Rs. 19,794.3 million, March 31, 2003: Rs. 20,335.6 million))	25,417.8	24,403.6	24,949.3	23,820.6	22,701.9
ii) From international banks, institutions and consortiums	27,948.0	36,795.3	92,955.6	150,053.7	216,242.4
iii) By way of bonds and notes	5,551.0	18,225.8	31,713.9	67,570.7	197,919.9
iv) Other borrowings	-	-	-	-	201.6
TOTAL BORROWINGS OUTSIDE INDIA	58,916.8	79,424.7	149,618.8	241,445.0	437,065.7
III. Unsecured redeemable/perpetual debentures/bonds [Subordinated debt included in Tier I and Tier II Capital]	97,495.3	91,058.6	82,339.0	107,358.3	212,211.2
TOTAL BORROWINGS INCLUDING SUBORDINATED DEBT	464,711.1	440,639.3	466,029.2	557,357.7	828,806.5

Secured borrowings in I and II above is Rs. 2,841.8 million (March 31, 2006: Rs. 4,411.3 million, March 31, 2005: Rs. 2,951.1 million, March 31, 2004: Rs. Nil, March 31, 2003: Rs. 8,000.0 million).

SELECTED FINANCIAL DATA

(AS PER UNCONSOLIDATED FINANCIAL STATEMENTS UNDER INDIAN GAAP)

Our financial and other data for fiscal 2003 through fiscal 2007 included in this Prospectus have been derived from our unconsolidated financial statements prepared in accordance with generally accepted accounting principles in India, or Indian GAAP, guidelines issued by the Reserve Bank of India from time to time and practices generally prevailing in the banking industry in India. The financial statements for fiscal 2003 were jointly audited by N. M Raiji & Co., Chartered Accountants and S. R. Batliboi & Co., Chartered Accountants, for fiscal 2004 through fiscal 2006 were audited by S. R. Batliboi & Co., Chartered Accountants and for fiscal 2007 by BSR. & Co., Chartered Accountants. You should read the following discussion and analysis of our selected financial and operating data with the more detailed information contained in our audited unconsolidated financial statements. The following discussion is based on our audited unconsolidated financial statements and accompanying notes prepared in accordance with Indian GAAP.

Operating results data

The operating results data for fiscal 2003, 2004, 2005, 2006 and 2007 is given below.

	Year ended March 31				
	2003	2004	2005	2006	2007
	(in billions, except per share data)				
Interest income					
Interest on advances ⁽¹⁾	Rs. 61.73	Rs. 63.80	Rs. 71.22	Rs. 102.07	Rs. 160.96
Income on investments ⁽²⁾	29.10	25.40	22.29	36.93	59.89
Interest on balances with RBI, other inter-bank funds and others	4.42	3.88	4.28	4.06	9.09
Total interest income	95.25	93.08	97.79	143.06	229.94
Interest expense					
Interest on deposits	(24.80)	(30.23)	(32.52)	(58.37)	(116.48)
Interest on RBI / inter-bank borrowings	(1.83)	(2.29)	(2.53)	(9.25)	(13.00)
Others (including interest on borrowings of erstwhile ICICI Limited) ⁽³⁾	(52.81)	(37.63)	(30.66)	(28.35)	(34.10)
Total interest expense	(79.44)	(70.15)	(65.71)	(95.97)	(163.58)
Net interest income	15.81	22.93	32.08	47.09	66.36
Other income					
Commission, exchange and brokerage	7.92	10.72	19.21	30.02	43.31
Profit/ (loss) on sale of investments (net)	4.92	12.25	5.46	7.50	11.15
Profit/ (loss) on foreign exchange transactions (net)	0.10	1.93	3.15	4.73	6.44
Profit/ (loss) on revaluation of investments (net) ⁽⁴⁾	(1.36)	(1.08)	(2.77)	(8.56)	(10.34)
Lease income	5.37	4.21	4.08	3.61	2.38
Profit on sale of shares of ICICI Bank held by ICICI	11.91	-	-	-	-
Miscellaneous income ⁽⁵⁾	1.37	1.54	2.26	4.51	6.35
Total other income	30.23	29.57	31.39	41.81	59.29

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	Year ended March 31				
	2003	2004	2005	2006	2007
	(in billions, except per share data)				
Total income	46.04	52.50	63.47	88.90	125.65
Operating expenses ⁽⁶⁾	(15.35)	(19.98)	(25.17)	(35.48)	(49.79)
Direct market agency expense	(3.19)	(6.00)	(8.54)	(11.77)	(15.24)
Depreciation on leased assets	(3.15)	(2.79)	(2.97)	(2.77)	(1.88)
Operating profit before provisions	24.35	23.73	26.79	38.88	58.74
Provisions and contingencies	(16.55)	(4.71)	(1.52)	(7.92)	(22.26)
Profit before tax	7.80	19.02	25.27	30.96	36.48
Tax	4.26	(2.65)	(5.22)	(5.56)	(5.38)
Profit after tax	Rs. 12.06	Rs. 16.37	Rs. 20.05	Rs. 25.40	Rs. 31.10
Dividend per share (Rs)	7.50	7.50	8.50	8.50	10.00
Dividend tax per share (Rs)	0.96	0.96	1.19	1.19	1.70
Earnings per share (basic) ⁽⁷⁾	19.68	26.66	27.55	32.49	34.84
Earnings per share (diluted) ⁽⁷⁾	19.65	26.44	27.33	32.15	34.64
Adjustments as per SEBI Guidelines					
Profit after tax	Rs. 12.06	Rs. 16.37	Rs. 20.05	Rs. 25.40	Rs. 31.10
Add/(less):-					
1) Adjustment for change in methodology for ascertaining carrying cost of investments, accounting for repurchase transactions and review of useful life of ATMs	(0.16)	-	-	-	-
2) Adjustment for change in accounting policy relating to unrealised gains on rupee derivatives (net of provisions) ⁽⁸⁾	-	-	(0.47)	-	-
3) Tax effect for the above adjustments	0.06	-	0.17	-	-
Adjusted profit after tax	Rs. 11.96	Rs. 16.37	Rs. 19.75	Rs. 25.40	Rs. 31.10

- (1) Interest on advances represents interest on rupee and foreign currency loans and advances (including bills) and hire purchase activity and gains on sell-down of loans. Commission paid to direct marketing agents / dealers for origination of retail automobile loans which was being netted from "Interest Income" up to the year ended March 31, 2006 has been reclassified to "Operating Expenses".
- (2) Interest income from investments represents primarily amounts earned on SLR investments, debentures, bonds, dividend income from equity and other investments in companies other than subsidiaries.
- (3) Other interest expense includes primarily interest expense on borrowings taken over from erstwhile ICICI Limited, commercial paper bonds and debentures, subordinated debt and bills rediscounted and borrowings outside India.
- (4) As required by Reserve Bank of India circular no. DBOD.BP.BC.87/21.04.141/2006-07 dated April 20, 2007, the Bank has deducted the amortisation of premium on Government securities, which was earlier included in "Other provisions and contingencies", from "Other income". Prior period figures have been reclassified to conform to the current classification.
- (5) Miscellaneous income primarily includes dividend income from subsidiaries/ affiliates.

- (6) Operating expenses includes primarily employee expenses, establishment, depreciation on fixed assets, amortisation of expenses related to Early Retirement Option Scheme and other general office expenses.
- (7) Earning per share(EPS) is computed based on weighted average number of shares.
- (8) Effective April 1, 2004, the Bank has accounted for unrealized gains on rupee derivatives (net of provisions) as compared to its earlier policy of ignoring the unrealized gains.
- (9) Effective April 1, 2005, the Bank has aligned its accounting policy for subvention income with its accounting policy for direct marketing agency/ associate expenses. Accordingly, subvention income has been accounted for in the period in which it is received instead of over the period of the loan. The impact of the change on profit after tax is not significant.
- (10) Effective April 1, 2004, the commissions paid to direct marketing agents (DMAs) of auto loans, net of subvention income received from them, is recorded upfront in the profit and loss account.
- (11) It has not been possible to determine the effect on profits if changes in accounting policies stated above had been made in each of the accounting years preceding the change and accordingly adjustments to profits for those items have not been made.
- (12) Figures of the previous years have been regrouped to conform to the current year presentation

For other notes to accounts please refer to audited financial statements included elsewhere in this Prospectus.

Balance sheet data

The balance sheet data for fiscal 2003, 2004, 2005, 2006 and 2007 is given below.

	At March 31				
	2003	2004	2005	2006	2007
	(in billions)				
Assets:					
Cash in hand and balance with RBI	Rs. 48.86	Rs. 54.08	Rs. 63.45	Rs. 89.34	Rs. 187.07
Balance with banks and money at call and short notice	16.03	30.63	65.85	81.06	184.14
Investments (net of provisions)					
Government and other approved securities	255.83	299.18	344.82	510.75	673.68
Debentures and bonds	56.90	55.49	28.54	18.04	24.63
Others ⁽¹⁾	41.89	79.69	131.51	186.68	214.27
Total investments	354.62	434.36	504.87	715.47	912.58
Advances ⁽²⁾	532.79	626.48	914.05	1,461.63	1,958.66
Fixed and leased assets	40.61	40.56	40.38	39.81	39.23
Others assets ⁽³⁾	75.21	66.18	87.99	126.58	164.90
Total assets	Rs.1,068.12	Rs.1,252.29	Rs.1,676.59	Rs.2,513.89	Rs.3,446.58
Liabilities and capital:					
Deposits					
Demand deposits	Rs. 36.89	Rs. 72.59	Rs. 128.37	Rs. 165.73	Rs. 213.76
Saving deposits	37.93	83.72	113.92	209.37	288.39
Term deposits	406.87	524.78	755.90	1,275.73	1,802.95
Total deposits	481.69	681.09	998.19	1,650.83	2,305.10

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	At March 31				
	2003	2004	2005	2006	2007
	(in billions)				
Borrowings ⁽⁴⁾	343.02	307.40	335.44	385.22	512.56
Unsecured redeemable debenture/bonds (subordinated debt) ⁽⁵⁾	97.50	91.06	82.09	101.44	194.05
Other liabilities and provisions ⁽⁶⁾	73.07	89.14	131.87	150.84	188.24
Preference share capital suspense	-	-	-	-	-
Preference share capital ⁽⁷⁾	3.50	3.50	3.50	3.50	3.50
Equity capital ⁽⁸⁾	6.13	6.16	7.37	8.90	8.99
Reserves and surplus					
Statutory reserves	5.52	9.61	14.63	20.99	28.79
Debenture redemption reserve	-	-	-	-	-
Special reserve	11.44	11.69	11.94	14.69	19.19
Capital reserves	2.00	4.65	4.85	5.53	6.74
Share premium (net of share issue expenses)	8.02	8.52	39.89	118.18	120.15
Investment fluctuation reserve	1.27	7.30	5.16	-	-
Foreign currency translation reserve	-	-	-	-	(0.50)
Revenue & other reserves	34.91	31.64	39.78	50.84	49.79
Balance in profit & loss account	0.05	0.53	1.88	2.93	9.98
Total reserves and surplus	63.21	73.94	118.13	213.16	234.14
Total liabilities and capital	Rs.1,068.12	Rs.1,252.29	Rs.1,676.59	Rs.2,513.89	Rs.3,446.58
Contingent liabilities					
Claims against bank not acknowledged as debts	Rs. 20.25	Rs. 25.02	Rs. 27.46	Rs. 29.78	Rs. 39.12
Liability for partly paid investments	1.80	1.24	0.17	0.17	0.17
Liability on account of outstanding forward exchange contracts	251.03	557.04	714.85	918.32	1,331.56
Guarantees given on behalf of constituents	106.35	120.29	156.41	191.03	292.12
Acceptances, endorsements & other obligations	43.25	65.14	74.12	106.87	186.71
Currency swaps	29.01	44.49	112.96	172.42	325.26
Interest rate swaps & currency options	413.54	1,177.64	1,519.22	2,471.92	3,346.92
Other items for which ICICI Bank is contingently liable	29.14	38.56	76.35	59.84	107.74
Total	Rs.894.37	Rs.2,029.42	Rs.2,681.54	Rs.3,950.34	Rs.5,629.60
Bills for collection	13.37	15.11	23.92	43.38	40.47

- (1) Includes investment in Government securities issued outside India.
- (2) Includes rupee / foreign currency loans, assistance by way of securitisation, loans under retail finance operations and receivables under finance lease.
- (3) Includes primarily interest accrued but not due at period end, advances paid for capital assets, advance taxes paid, deposits for utilities, outstanding fees and other income, exchange fluctuation suspense with Government of India, inter office adjustments (net) and non-banking assets acquired in satisfaction of claims and deferred tax asset.
- (4) Borrowings include call borrowings and refinance from the Reserve Bank of India, banks and other financial institutions, borrowings taken over from erstwhile ICICI Limited, bonds and debentures, commercial paper and borrowings outside India from multilateral and bilateral credit agencies, international-banks, institutions and consortiums.
- (5) Includes unsecured borrowings eligible for inclusion in Tier-I and Tier-II capital for capital adequacy purposes.
- (6) Other liabilities primarily include bills payable, interest accrued but not due, creditors for expenses, unclaimed refunds, brokerage and interest, deferred tax liability, proposed dividend, dividend tax thereon, general provision on standard assets as per Reserve Bank of India norms and security deposits from clients.
- (7) For these preference shares, the notification dated April 17, 2002 from Ministry of Finance, Government of India, issued on the recommendation of Reserve Bank of India, under Section 53 of the Banking Regulation Act, 1949 had exempted the Bank from the restriction of section 12(1) of the Banking Regulation Act, 1949, which prohibits the issue of preference shares by banks, for a period of five years. The Bank has applied for Reserve Bank of India for making a recommendation to Central Government for continuation of such exemption.
- (8) As on March 31, 2007 equity capital includes 110,967,096 equity shares of Rs. 10 each issued vide prospectus dated December 8, 2005 and 37,237,460 equity shares of Rs. 10 each fully paid up issued consequent to issue of 18,618,730 American depository shares (ADS) vide prospectus dated December 6, 2005.
- (9) Figures of the previous years have been regrouped to conform to the current period presentation.

Average Balance Sheet

For fiscal years 2005 and 2006, the average balances are the averages of quarterly balances outstanding at the end of March of the previous fiscal year and June, September, December and March of that fiscal year. For fiscal year 2007, the average balances are the averages of daily balances. The following table sets forth, for the periods indicated, the average balances of the assets and liabilities outstanding, along with the related interest income and interest expense. The average balances of assets include non-performing assets and are net of loan loss provisions.

	Year ended March 31,								
	2005			2006			2007		
	Average balance	Interest income/expense	Avg. yield / cost	Average balance	Interest income/expense	Avg. yield / cost	Average balance	Interest income/expense	Avg. yield / cost
	(in billions, except percentages)								
Advances	Rs. 720.26	Rs. 71.22	9.9%	Rs. 1,120.38	Rs. 102.07	9.1%	Rs. 1,620.66	Rs. 160.96	9.9%
Investments	347.66	22.29	6.4	472.66	36.93	7.8	728.69	59.89	8.2
Others	95.22	4.28	4.5	127.53	4.06	3.2	227.92	9.09	4.0
Total interest-earning assets	1,163.14	97.79	8.4%	1,720.57	143.06	8.3%	2,577.27	229.94	8.9%
Fixed assets	24.26			26.99			38.96		
Other assets	159.09			225.46			227.80		
Total assets	Rs. 1,346.49	Rs. 97.79		Rs. 1,973.02	Rs. 143.06		Rs. 2,844.03	Rs. 229.94	

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	Year ended March 31,								
	2005			2006			2007		
	Average balance	Interest income/expense	Avg. yield / cost	Average balance	Interest income/expense	Avg. yield / cost	Average balance	Interest income/expense	Avg. yield / cost
	(in billions, except percentages)								
Deposits	Rs. 728.90	Rs. 32.52	4.5%	Rs. 1,166.07	Rs. 58.37	5.0%	Rs. 1,875.18	Rs. 116.48	6.2%
Saving deposits	92.64	2.18	2.4	148.79	3.95	2.7	255.62	6.76	2.7
Other Demand deposits	78.51	-	-	120.86	-	-	173.26	-	-
Term deposits	557.75	30.34	5.4	896.42	54.42	6.1	1,446.31	109.71	7.6
Borrowings	409.35	33.19	8.1	492.66	37.60	7.6	609.81	47.10	7.7
Total interest-bearing liabilities	1,138.25	65.71	5.8%	1,658.73	95.97	5.8%	2,484.99	163.58	6.6%
Capital and reserves ⁽¹⁾	119.82			179.71			231.68		
Other liabilities	88.42			134.58			127.36		
Total liabilities	Rs. 1,346.49	Rs.65.71		Rs.1,973.02	Rs.95.97		Rs. 2,844.03	Rs. 163.58	

(1) Excludes preference share capital.

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				
	2003	2004	2005	2006	2007
	(in billions, except percentages)				
Average interest-earning assets	Rs. 912.99	Rs. 984.93	Rs. 1,163.14	Rs.1,720.57	Rs. 2,577.27
Average interest-bearing liabilities	891.62	989.66	1,138.25	1,658.73	2,484.99
Average total assets	1,050.28	1,138.36	1,346.49	1,973.02	2,844.03
Average interest-earning assets as a percentage of average total assets (%)	86.9	86.5	86.4	86.5	90.6
Average interest-bearing liabilities as a percentage of average total assets (%)	84.9	86.9	84.5	84.1	87.4
Average interest-earning assets as a percentage of average interest-bearing liabilities (%)	102.4	99.5	102.2	102.9	103.7
Yield (%)	10.4	9.5	8.4	8.3	8.9
Cost of funds (%)	8.9	7.1	5.8	5.8	6.6
Spread ⁽¹⁾ (%)	1.52	2.36	2.63	2.47	2.34
Net interest margin ⁽²⁾ (%)	1.73	2.33	2.76	2.74	2.57

(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 years 2003, 2004, 2005 and 2006, the average balances are the averages of quarterly balances outstanding at the end of March of the previous fiscal year and June, September, December and March of that fiscal year. For fiscal year 2007, the average balances are the averages of daily balances.

Financial Ratios

	Year ended March 31				
	2003	2004	2005	2006	2007
	(in percentages)				
Return on average equity ⁽¹⁾	18.3	21.8	17.9	16.4	13.4 ⁽²⁾
Return on average assets ⁽³⁾	1.2	1.4	1.5	1.3	1.1
Dividend payout ratio ⁽⁴⁾	38.1	33.2	31.6	29.8	28.9
Cost to average assets ⁽⁵⁾	1.5	1.8	1.9	1.8	1.8
Tier I capital adequacy ratio	7.1	6.1	7.6	9.2	7.4
Tier II capital adequacy ratio	4.0	4.3	4.2	4.2	4.3
Total capital adequacy ratio	11.1	10.4	11.8	13.4	11.7⁽⁹⁾
Net non-performing assets ratio ⁽⁶⁾	4.92	2.87	2.03	0.71	0.98
Allowance as a % of gross non-performing assets ⁽⁷⁾	62.6	69.7	61.4	63.7	58.4
Average equity to total average assets	6.27	6.59	8.34	7.83	8.15
Book value per share ⁽⁸⁾	113.10	127.27	168.63	248.56	269.81

- (1) Return on average equity is the ratio of the net profit after tax to the average equity.
- (2) Return on average equity including profit of banking subsidiaries and excluding investment in insurance subsidiaries was 15.5%.
- (3) Return on average assets is the ratio of the net profit after tax to the average assets.
- (4) Dividend payout ratio is the ratio of total dividend payouts (excluding dividend distribution tax) to profit after tax.
- (5) Cost to average assets is the ratio of the operating expenses, excluding direct marketing agency expenses and lease depreciation, to the average assets.
- (6) Net non-performing assets ratio is the ratio of net non-performing assets to the net customer assets.
- (7) Allowance as a percentage of gross non-performing assets is the ratio of provisions and write-offs made to the gross non-performing assets (gross of provisions and write-offs).
- (8) Book value per share is calculated by dividing the sum of equity share capital, reserves and surplus less unamortised Early Retirement Option expenses by the total number of shares outstanding at the end of the year/period. Deferred tax asset is not deducted while computing book value per share.

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- (9) The computation of capital adequacy ratio for fiscal 2007 excludes USD 750 million of foreign currency bonds raised for Upper Tier-II capital, pending clarification required by Reserve Bank of India regarding certain terms of these bonds. If these bonds were considered as Tier-II capital, the total capital adequacy ratio would be 12.81% and Tier-II capital adequacy ratio would be 5.40%.
- (10) For fiscal years 2003, 2004, 2005 and 2006, the average balances are the averages of quarterly balances outstanding at the end of March of the previous fiscal year and June, September, December and March of that fiscal year. For fiscal year 2007, the average balances are the averages of daily balances.

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

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

Introduction

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

Indian Economy

Overall GDP growth in the economy has been averaging around 8.3% in the last three years. GDP growth was 8.5% in fiscal 2004, 7.5% in fiscal 2005 and 9.0% in fiscal 2006. The agricultural sector recorded a growth of 10.0% in fiscal 2004 due to favourable monsoons. In fiscal 2005, there was negligible growth in the agriculture sector due to insufficient rainfall in many parts of the country. This was partly offset by the sustained growth of the industrial and services sectors. The industrial sector grew by 6.0% in fiscal 2004, 8.4% in fiscal 2005 and 8.0% in fiscal 2006. The services sector grew by 8.9% in fiscal 2004, 10.0% in fiscal 2005 and 10.3% during fiscal 2006.

In fiscal 2007, GDP grew at the rate of 9.4% compared to 9.0% in fiscal 2006. The continued momentum in growth has been primarily due to the resurgence of the industrial sector and sustained growth of the services sector. The agricultural sector, which had registered a growth of 6.0% in fiscal 2006, grew by 2.7% in fiscal 2007. The industrial sector grew by 11.0% in fiscal 2007. Industrial growth in fiscal 2007 was supported primarily by sustained growth in manufacturing activities. The services sector grew by 11.0% in fiscal 2007, up from 10.3% in fiscal 2006.

During fiscal 2007, there was an increase in inflationary trends in India, primarily due to the increase in prices of primary articles as well as the increase in oil prices over the last few years. See also "Risk Factors" on page xi. The annual average rate of inflation measured by the Wholesale Price Index was 5.4% during fiscal 2007 compared to 4.4% during the previous year. The average annual rate of inflation increased to 5.3% during fiscal 2008 (through May 12, 2007) from 4.6% during the corresponding period in the previous year. In its annual policy statement for 2008 published on April 24, 2007, the RBI has forecasted GDP growth for fiscal 2008 at around 8.5% and has forecast inflation at about 5.0% for fiscal 2008. Going forward the Reserve Bank of India's policy objective is to contain inflation in the range of 4.0%-4.5% over the medium term. During fiscal 2007, the Indian rupee appreciated by 2.3% against the US dollar. The rupee depreciated against the pound sterling and the euro and appreciated against the Japanese yen. The Indian rupee appreciated by 6.4% against the US dollar during fiscal 2008 through May 05, 2007, moving from Rs. 43.59 per US\$ 1.00 at year-end fiscal 2007 to Rs. 40.78 per US\$ 1.00 on May 08, 2007. Foreign exchange reserves were US\$ 203.98 billion at May 18, 2007.

The impact of these and other factors and the overall growth in industry, agriculture and services during fiscal 2008 will affect the performance of the banking sector as it will affect the level of credit disbursed by banks, and the overall growth prospects of our business, including our ability to grow, the quality of our assets, the value of our investment portfolio and our ability to implement our strategy.

Banking Sector

According to the Reserve Bank of India's data, total deposits of all scheduled commercial banks increased by 14.3% in fiscal 2005, 17.6% in fiscal 2006 and 24.2% in fiscal 2007. Bank credit of scheduled commercial banks grew by 30.9% in fiscal 2005, 30.8% in fiscal 2006 and 27.6% in fiscal 2007. The increase in credit growth during fiscal 2007 was driven by the continued growth in retail credit and credit to industry. Credit to industry constituted 35.3% of the total expansion in non-food credit during fiscal 2007.

Until fiscal 2005, there was a downward movement in interest rates, barring intra-year periods when interest rates were higher temporarily due to extraneous circumstances. This movement was principally due to the Reserve Bank of India's policy of assuring adequate liquidity in the banking system and generally lowering the rate at which it

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would lend to Indian banks to ensure that borrowers had access to funding at competitive rates as well relatively low credit growth. Banks generally followed the direction of interest rates set by the Reserve Bank of India and adjusted both their deposit rates and lending rates downwards until fiscal 2005. The inflationary trends since fiscal 2005 have resulted in a change in the monetary policy stance. In response to inflationary pressures in the economy, the Reserve Bank of India has increased the cash reserve ratio by 150 basis points between December 2006 and April 2007 from 5.0% to 6.5%. The Reserve Bank of India has increased the reverse repo rate (i.e., the annualized interest earned by the lender in a repurchase transaction between a bank and the Reserve Bank of India) six times by 25 basis points each time resulting in the reverse repo rate increasing from 4.5% to 6.0% between October 2004 and July 2006. Between January 2006 and April 2007 the Reserve Bank of India also increased repo rate six times by 25 basis points to 7.75%. The Reserve Bank of India has also instituted several prudential measures to moderate credit growth including increase in risk weights and general provisioning for various asset classes. As a result of these increases, banks have also raised their deposit and lending rates. The following table sets forth the bank rate and the reverse repo rate and the repo rate for the last six fiscal years.

Fiscal year	Bank rate	Reverse repo rate	Repo rate
	(in percentages)		
2002	6.50	6.00	8.00
2003	6.25	5.00	7.00
2004	6.00	4.50	6.00
2005	6.00	4.75	6.00
2006	6.00	5.50	6.50
2007	6.00	6.00	7.50

Source: Reserve Bank of India: Handbook of Statistics on Indian Economy, 2006, Annual Report 2005-2006 and Weekly Statistical Supplements and Annual Policy Statement 2007-08.

Major Events Affecting Results and Financial Condition

Since 2002, we have experienced major changes and developments in our business and strategy. An understanding of these events and developments is necessary for an understanding of the periods under review and the discussion and analysis which follows. These changes are reflected in our financial statements in connection with or since the amalgamation.

The first change reflects the impact of our history upon our average cost of funds. Consequent to the amalgamation, the businesses formerly conducted by ICICI became subject for the first time to various regulations applicable to banks. These include the statutory liquidity ratio, which is required to be maintained in the form of government of India securities and other approved securities and the cash reserve ratio. The requirement of statutory liquidity ratio is currently 25.0% and of cash reserve ratio is currently 6.5%, of our net demand and time liabilities. While we benefited from the lower cost of funding as a bank as compared to ICICI as a non-bank financial institution, the imposition of the statutory liquidity ratio and the cash reserve ratio on the liabilities taken over from ICICI impacted our spread. As the average yield on investments in government of India securities and cash balances maintained with the Reserve Bank of India is typically lower than the yield on other interest-earning assets, our net interest margin was adversely impacted. Additionally, our net interest margin has been and is expected to continue to be lower than other banks in India until we repay the borrowings of ICICI and increase the proportion of retail deposits in our funding. The increase in investment in government securities has substantially increased our exposure to market risk. A rise in interest rates causes the value of our fixed income portfolio to decline and adversely affects the income from our treasury operations, and may adversely impact our net interest margin if the yield on our assets does not increase to the same extent and at the same time as the cost of our liabilities. See also "Risk Factors — Risks Relating to Our Business — Our business is particularly vulnerable to interest rate risk and volatility in interest rates could adversely affect our net interest margin, the value of our fixed income portfolio, our income from treasury operations and our financial performance" on page xi.

The second key change reflects the implementation of our strategy to grow our retail loan portfolio. The results of our implementation of this strategy can be seen in the rapid growth in the retail loan portfolio. Recently, we have experienced rapid growth in the portfolio of non-collateralized retail loans, including unsecured personal loans, which contributed 9.6% of our retail loans and 6.3% of our total advances at year-end fiscal 2007 compared to 6.3% and

4.0% respectively at year-end fiscal 2006 and 4.4% and 2.7% at year-end fiscal 2005. While the rate of growth of our retail loans has moderated due to the high base effect and the increase in interest rates and real estate prices, and we cannot guarantee that growth will continue at high rates, we see continued significant demand for retail loans.

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

Fourth, 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 to our corporate clients, including foreign currency financing for projects in India and cross-border acquisition financing, through these subsidiaries and branches. In Canada and the United Kingdom, we have also launched direct banking offerings using the Internet as the access channel. We have invested in the equity capital of our international banking subsidiaries to support their growth.

Fifth, since the amalgamation, our subsidiaries engaged in the insurance business, ICICI Prudential Life Insurance Company Limited and ICICI Lombard General Insurance Company Limited, have experienced rapid growth in business. We have invested in the equity capital of our insurance subsidiaries to support their growth. Our life insurance subsidiary continues to report losses in its financial statements. See also "Business — Insurance" on page 73.

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

Summary fiscal 2007 compared to fiscal 2006

Profit before provisions and tax increased 51.1% to Rs. 58.74 billion in fiscal 2007 from Rs. 38.88 billion in fiscal 2006 primarily due to an increase in net interest income by 40.9% to Rs. 66.36 billion in fiscal 2007 from Rs. 47.09 billion in fiscal 2006 and an increase in non-interest income by 41.8% to Rs. 59.29 billion in fiscal 2007 from Rs. 41.81 billion in fiscal 2006, offset, in part, by an increase in non-interest expenses by 33.8% to Rs. 66.91 billion in fiscal 2007 from Rs. 50.01 billion in fiscal 2006. Provisions increased significantly during fiscal 2007 due to higher provisions created on standard assets pursuant to revised guidelines issued by RBI and lower level of write-backs. Profit after tax increased 22.4% to Rs. 31.10 billion in fiscal 2007 from Rs. 25.40 billion in fiscal 2006.

- Net interest income increased 40.9% to Rs. 66.36 billion in fiscal 2007 from Rs. 47.09 billion in fiscal 2006, reflecting an increase of 49.8% in the average volume of interest-earning assets.
- Non-interest income increased by 41.8% to Rs. 59.29 billion in fiscal 2007 from Rs. 41.81 billion in fiscal 2006 primarily due to a 44.3% increase in commission, exchange and brokerage and a 97.6% increase in treasury income.
- Non-interest expenses increased 33.8% to Rs. 66.91 billion in fiscal 2007 from Rs. 50.01 billion in fiscal 2006 primarily due to 49.4% increase in employee expenses and 41.9% increase in other administrative expenses.
- Provisions and contingencies (excluding provision for tax) increased to Rs. 22.26 billion in fiscal 2007 from Rs. 7.92 billion in fiscal 2006 primarily due to higher provisions created on standard assets, in accordance with the revised guidelines issued by RBI, a higher level of specific provisioning on retail loans due to change in the portfolio mix towards non collateralised loans and seasoning of the loan portfolio and lower level of write-backs.
- Total assets increased 37.1% to Rs. 3,446.58 billion at year-end fiscal 2007 from Rs. 2,513.89 billion at year-end fiscal 2006 primarily due to an increase in loans by 34.0% and an increase in investments in by 27.5%.

Net Interest Income

Net interest income increased 40.9% to Rs. 66.36 billion in fiscal 2007 from Rs. 47.09 billion in fiscal 2006, reflecting mainly the following:

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- an increase of Rs. 856.70 billion or 49.8% in the average volume of interest-earning assets; and
- net interest margin of 2.6% in fiscal 2007 compared to 2.7% in fiscal 2006.

In February 2006, the Reserve Bank of India issued guidelines for accounting for securitization of standard assets. In accordance with these guidelines, with effect from February 1, 2006, we account for any loss arising on securitization immediately at the time of sale and the profit/ premium arising on account of securitization is amortized over the life of the asset. Prior to February 1, 2006, profit arising on account of securitization has been recorded upfront at the time of sale. Income from sell-down of loans was approximately 8.6% of net interest income in fiscal 2006 as against a loss in fiscal 2007, due to the impact of the aforesaid guidelines requiring amortization of profit on securitization from February 1, 2006 and the prevailing liquidity and interest rate scenario.

We use marketing agents, called direct marketing agents or associates, for sourcing our automobile loans. Until the year end fiscal 2006, we deducted commission paid to direct marketing agents of automobile loans from the interest income. For fiscal 2007, we have reported all direct marketing agency expenses, on automobile loans and other retail loans separately under "non-interest expense". These commissions are expensed upfront and not amortised over the life of the loan. The necessary reclassifications have been made for the prior years.

The average volume of interest-earning assets increased by Rs. 856.70 billion in fiscal 2007 primarily due to the increase in average advances by Rs. 500.28 billion, and an increase in average investments by Rs. 256.03 billion. The increase in the average advances was mainly due to increased disbursements of retail finance loans, offset, in part, by securitisation of loans and repayment of existing loans, and the increase in average investments was mainly due to increased investment in Government securities. Retail advances, net of provisions and write-off, increased by 38.5% to Rs. 1,277.03 billion at year-end fiscal 2007 from Rs. 921.98 billion at year-end fiscal 2006.

Interest income increased by 60.7% to Rs. 229.94 billion in fiscal 2007 from Rs. 143.06 billion in fiscal 2006 primarily due to an increase of 49.8% in the average interest-earning assets to Rs. 2,577.27 billion in fiscal 2007 from Rs. 1,720.57 billion in fiscal 2006. Yield on average interest-earning assets increased to 8.9% in fiscal 2007 compared to 8.3% in fiscal 2006, primarily due to the increase in the yield on advances portfolio to 9.9% in fiscal 2007 from 9.1% in fiscal 2006. The yield on advances has increased despite the significant decline in income from sell-down of loans due to an increase in lending rates in line with the general increase in interest rates and increase in the volumes of certain high yielding loans. Our prime lending rate (ICICI Bank's benchmark prime lending rate) has increased by 300 basis points from March 31, 2006 to April 1, 2007. Our home loan rates have increased by 350 basis points on the outstanding floating rate portfolio during the same period. Yield on average interest earning investments increased to 8.2% in fiscal 2007 from 7.8% in fiscal 2006 primarily due to an increase in the yield on average SLR investments by 77 basis points to 8.5% in fiscal 2007 from 7.7% in fiscal 2006.

Interest expense increased by 70.4% to Rs. 163.58 billion in fiscal 2007 from Rs. 95.97 billion in fiscal 2006, primarily due to an increase of 49.8% in the volume of average interest-bearing liabilities to Rs. 2,484.99 billion for fiscal 2007 from Rs. 1,658.73 billion for fiscal 2006 and increase in the cost of funds by 0.8% to 6.6% for fiscal 2007 from 5.8% in fiscal 2006. Total deposits at year-end fiscal 2007 constituted 76.5% of our funding (i.e. deposits, borrowings and subordinated debts) compared to 77.2% at year-end fiscal 2006. Total deposits increased 39.6% to Rs. 2,305.10 billion at year-end fiscal 2007 from Rs. 1,650.83 billion at year-end fiscal 2006. This is commensurate with our focus of increasing funding through deposits. Our cost of deposits has increased by 1.2% to 6.2% in fiscal 2007 from 5.0% in fiscal 2006 consequent to general increase in interest rates reflecting tight systemic liquidity scenario, particularly in the second half of fiscal 2007 and resulting in an increase in deposit rates for retail and other customers. The cost of borrowings increased marginally to 7.7% in fiscal 2007 from 7.6% in fiscal 2006 primarily due to increase in borrowings of foreign branches and borrowings of subordinated debt instruments for inclusion in Tier-1 and Tier-2 capital

As a result of the higher cost of funds and decrease in the gains on securitisation / sell down of assets, net interest margin decreased to 2.6% in fiscal 2007 from 2.7% in fiscal 2006. 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. The net interest margin is also impacted by the relatively lower net interest margin earned by our foreign branches, which is offset by the higher fee income that we are able to earn by leveraging our international presence and our ability to meet the foreign currency borrowing requirements of Indian companies.

Interest rates in the banking system have continually increased over the last two years. As our liabilities, in general re-price faster than our assets, our net interest income is adversely impacted in a rising interest rate scenario. During

the last quarter of fiscal 2007, the Indian markets experienced volatility and sharp increases in interest rates and we experienced a sharp increase in our funding costs, which may adversely impact our net interest margin during fiscal 2008 until the yield on our interest-earning assets also increases to offset the increase in funding costs. Further, it cannot be assured that we would be able to pass through all the increases in our funding costs to our lending customers. Any failure to pass the higher funding costs completely to our customers would adversely impact our net interest margin. Higher interest rates would also impact our fixed income trading and other investment portfolio adversely. See "Risk Factors – Risks Relating to Our Business - Our business is particularly vulnerable to interest rate risk and volatility in interest rates could adversely affect our net interest margin, the value of our fixed income portfolio, our income from treasury operations and our financial performance" on page xi.

The Reserve Bank of India has increased the cash reserve ratio requirement for banks from 5.0% at the beginning of fiscal 2007 to 6.5% currently. As a result, from April 2007 the cash reserve ratio requirement is 6.5% of liabilities and the Reserve Bank of India makes no interest payment on these balance compared to the cash reserve ratio requirement of 5.0% of liabilities and effective interest payment of 1.4% on these balances in April 2006. This will adversely impact our net interest income in fiscal 2008. See "Risk Factors - Risks Relating to Our Business - Regulatory changes in India or other jurisdictions in which we operate could adversely affect our business" on page xv.

Non-Interest Income

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

	Year ended March 31,		
	2006	2007	2007/2006 % change
	(in millions, except percentages)		
Commission, exchange and brokerage	Rs. 30,019.5	Rs. 43,308.6	44.3%
Income from treasury-related activities ¹	3,671.0	7,254.3	97.6
Lease income	3,606.4	2,378.7	(34.0)
Other income	4,512.0	6,350.1	40.7
Total non-interest income	Rs. 41,808.9	Rs. 59,291.7	41.8%

1. Net of premium amortisation on Government securities.

Non-interest income increased by 41.8% to Rs. 59.29 billion in fiscal 2007 from Rs. 41.81 billion in fiscal 2006 primarily due to an increase of 44.3% in commission, exchange and brokerage, a 97.6% increase in income from treasury-related activities, an increase of 40.7% in other income, offset, by a 34.0% decline in lease income.

Commission, exchange and brokerage increased by 44.3% to Rs. 43.31 billion in fiscal 2007 from Rs. 30.02 billion primarily due to growth in fee income from retail products and services, including fee arising from retail assets products and retail liability related fee income like account servicing charges and third party distribution fees. Fees from corporate banking and international business also witnessed a strong growth.

The total income from treasury-related activities increased to Rs. 7.25 billion in fiscal 2007 from Rs. 3.67 billion in fiscal 2006 primarily due to higher level of gains from equity divestments, offset in part by 24.5% increase in premium amortisation on Government securities from Rs. 9.99 billion in fiscal 2007 from Rs. 8.02 billion in fiscal 2006 and lower profits on proprietary trading as a result of the sharp fall in the equity markets in May 2006 and adverse conditions in debt markets. The amortisation of premium on Government securities which was earlier shown as provisions and contingencies has been reclassified under income from treasury-related activities as per the revised guidelines of Reserve Bank of India. Income from treasury related activity includes income from derivatives reflecting primarily the transactions undertaken with customers by us and income from merchant foreign exchange transactions.

Lease income decreased by 34.0% to Rs. 2.38 billion in fiscal 2007 from Rs. 3.61 billion in fiscal 2006 primarily because of a decrease in leased assets to Rs. 10.03 billion at year-end fiscal 2007 compared to Rs. 11.74 billion at year-end fiscal 2006 since we are not entering into new lease transactions.

Other income increased by 40.7% to Rs. 6.35 billion for fiscal 2007 compared to Rs. 4.51 billion in fiscal 2006 primarily due to increase in income by way of dividend from our subsidiary companies and increase in profit on sale of land, buildings and other assets.

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Non-interest expense

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

	Year ended March 31,		
	2006	2007	2007/2006 % change
	(in millions, except percentages)		
Employee expenses	Rs. 10,822.9	Rs. 16,167.5	49.4%
Depreciation on own property (including non banking assets)	3,471.7	3,565.1	2.7
Auditors' fees and expenses	18.5	21.2	14.9
Other administrative expenditure	21,161.5	30,030.0	41.9
Total non-interest expense (excluding lease depreciation and direct marketing agency expenses)	35,474.6	49,783.8	40.3
Depreciation (including lease equalisation) on leased assets	2,766.3	1,882.8	(31.9)
Direct marketing agency expenses	11,770.6	15,239.0	29.5
Total non-interest expense	Rs. 50,011.5	Rs. 66,905.6	33.8%

Total non-interest expense increased by 33.8% to Rs. 66.91 billion in fiscal 2007 from Rs. 50.01 billion in fiscal 2006, primarily due to a 49.4% increase in employee expenses and 41.9% increase in other administrative expenses.

Employee expenses increased 49.4% to Rs. 16.17 billion in fiscal 2007 from Rs. 10.82 billion in fiscal 2006 primarily due to a 31.3% increase in the number of employees to 33,321 at year end fiscal 2007 from 25,384 at year end fiscal 2006, annual increase in the salaries and higher cost due to monetisation of benefits on loan facilities available to employees at concessional rates of interests and other employee benefits. The increase in employees was commensurate with the growth in our retail and other businesses.

Depreciation on own property increased by 2.7% to Rs. 3.57 billion from Rs. 3.47 billion. There was a 4.0% increase in premises and other fixed assets to Rs. 29.20 billion at year-end fiscal 2007 from Rs. 28.07 billion at year-end fiscal 2006. Depreciation on leased assets decreased to Rs. 1.88 billion in fiscal 2007 from Rs. 2.77 billion in fiscal 2006 primarily due to reduction in leased assets to Rs. 10.03 billion at year-end fiscal 2007 from Rs. 11.74 billion at year-end fiscal 2006.

Other administrative expenses increased by 41.9% to Rs. 30.03 billion in fiscal 2007 from Rs. 21.16 billion in fiscal 2006 primarily due to increased volume of business, particularly in retail banking, and includes maintenance of ATMs, credit card expenses, including promotional expenses on cash back scheme, insurance premium, collection expenses and other expenses. The number of branches (excluding foreign branches and OBUs) and extension counters increased to 755 at year-end fiscal 2007 from 614 at year-end fiscal 2006. ATMs increased to 3,271 at year-end fiscal 2007 from 2,200 at year-end fiscal 2006.

We use marketing agents, called direct marketing agents or associates, for sourcing our retail assets. We include commissions paid to these direct marketing agents of our retail assets in non-interest expense. These commissions are expensed upfront and not amortised over the life of the loan. We incurred direct marketing agency expenses of Rs. 15.24 billion on the retail asset portfolio in fiscal 2007 compared to Rs. 11.77 billion in fiscal 2006. The growth in direct marketing expenses was commensurate with growth in business volumes.

Provisions and contingencies

	Year ended March 31,		
	2006	2007	2007/2006 % change
	(in millions, except percentages)		
Provision for investments (including credit substitutes) (net) ¹	Rs. (256.0)	Rs. 419.4	-%
Provision for non-performing assets (incl. provision for standard assets)	7,947.2	21,593.0	171.7
Others	226.8	251.3	10.8
Total provisions	Rs. 7,918.0	Rs. 22,263.7	181.2%

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

We classify our loans in accordance with the Reserve Bank of India guidelines. Provisions and contingencies (excluding provision for tax) increased to Rs. 22.26 billion in fiscal 2007 from Rs. 7.92 billion in fiscal 2006 primarily due to higher provisions of about Rs. 3.92 billion made on standard assets in accordance with the revised guidelines issued by the Reserve Bank of India, significantly lower level of write-backs in fiscal 2007 compared to about Rs. 6.62 billion write-backs in fiscal 2006, provision of about Rs. 1.05 billion on account of frauds in rural portfolio, primarily in our warehouse receipt financing business and a higher level of specific provisioning on retail and other loans. The increase in provisioning on retail loans primarily reflects the growth in retail loans, seasoning of the loan portfolio and the change in the portfolio mix towards non-collateralised retail loan where credit losses are higher, While the yield on such loans is also higher.

Under the Reserve Bank of India guidelines issued in September 2005, banks were required to make general provision at 0.4% on standard loans (excluding loans to the agricultural sector and to small and medium enterprises). In May 2006, the general provisioning requirement for personal loans, loans and advances qualifying as capital market exposure, residential housing loans beyond Rs. 2.0 million and commercial real estate was further increased to 1.0% from 0.4%. In January 2007, the general provisioning requirement for personal loans, credit card receivables, loans and advances qualifying as capital market exposure, commercial real estate and advances to non-deposit taking systemically important non-banking financial companies (NBFCs) was increased to 2.0%. As a result, a general provision on standard assets increased by 115.6% to Rs. 7.31 billion in fiscal 2007 from Rs. 3.39 billion in fiscal 2006.

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Tax Expense

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

	Year ended March 31,	
	2006	2007
	(Rs in millions, except percentages)	
Tax at marginal rate on income	10,423.2	12,279.3
Adjustments		
Difference in book and tax depreciation	2,351.8	1,652.0
Bad debts written off	(1,454.2)	15,279.0
Special reserve under section 36(1)(viii)	(2,500.0)	(3,810.0)
Surplus on sale of property/assets	(71.2)	(1,152.0)
Dividend, exempt interest and other exempt income	(4,850.0)	(9,193.0)
Capital gains on sale of capital assets	(5,961.6)	(14,370.0)
Fair value utilization	-	-
Other adjustments	715.5	336.0
Net adjustments	(11,769.7)	(11,258.0)
Tax (savings)/outgo thereon -other than capital gains	(3,961.7)	(3,789.4)
Tax (savings)/outgo thereon - 115BBB		
Tax on capital gains on sale of capital assets	96.5	1,143.3
Tax (savings)/outgo	(3,865.2)	(2,646.1)
Deferred taxes and other tax provisions	(1,286.5)	(4,654.3)
Total income tax	5,271.5	4,978.9
Wealth tax	30.0	30.0
Fringe Benefit tax	263.5	369.3
Total taxation	5,565.0	5,378.2
<i>Notes</i>		
Adjusted profit before taxation	30,966.1	36,480.4
Marginal rates of tax		
Other than long term capital gains	33.66%	33.66%
- Long term capital gains (STT)	0%	0%
- Long term capital gains (Non STT with indexation)	22.44%	22.44%
- Long term capital gains (Non STT without indexation)	11.22%	11.22%
- Short term capital gains (STT)	11.22%	11.22%
- Short term capital gains (Non STT)	33.66%	33.66%

Income tax expense (including wealth tax) decreased by 3.4% to Rs. 5.38 billion in fiscal 2007 from Rs. 5.57 billion in fiscal 2006.

The effective tax rate of 14.7% for fiscal 2007 was lower compared to the statutory tax rate of 33.66% primarily due to concessional rate of tax on capital gains, exemption of dividend income, deduction towards special reserve and deduction of income of offshore banking unit.

The Indian Finance Act, 2005 imposed an additional income tax on companies called “fringe benefit tax”. Pursuant to this Act, companies are deemed to have provided fringe benefits to the employees if certain defined expenses are incurred. This tax has been effective from April 1, 2005. The fringe benefit tax expense amounted to Rs. 0.37 billion in fiscal 2007 compared to Rs. 0.26 billion in fiscal 2006.

Financial Condition

Our total assets increased by 37.1% to Rs. 3,446.58 billion at year-end fiscal 2007 from Rs. 2,513.89 billion at year-end fiscal 2006 primarily due to increase in advances and investments. Net advances increased by 34.0% to Rs. 1,958.66 billion at year-end fiscal 2007 from Rs. 1,461.63 billion at year-end fiscal 2006 primarily due to increase in retail advances in accordance with our strategy of growth in our retail portfolio, offset, in part, by reduction in advances due to repayments and securitisations. Total investments at year-end fiscal 2007 increased by 27.5% to Rs. 912.58 billion compared to Rs. 715.47 billion at year-end fiscal 2006 primarily due to 31.9% increase in investment in Government and other approved securities in India to Rs. 673.68 billion at year-end fiscal 2007 from 510.74 billion at year-end fiscal 2006 in line with the increase in our net demand and time liabilities. Banks in India are required to maintain a specified percentage, currently 25%, of their net demand and time liabilities by way of liquid assets like cash, gold or approved unencumbered securities. Other investments (including debentures and bonds) increased by 16.7% to Rs. 238.90 billion at year-end fiscal 2007 compared to Rs. 204.73 billion at year-end fiscal 2006, reflecting an increase in investments in insurance and international subsidiaries, pass through certificates and credit linked notes. Cash, balances with the Reserve Bank of India and other banks and money at call and short notice at year-end fiscal 2007 were Rs. 371.21 billion compared to Rs. 170.40 billion at year-end fiscal 2006. Other assets, including fixed assets increased to Rs. 204.13 billion at year-end fiscal 2007 from Rs. 166.38 billion at year-end fiscal 2006. Total assets (gross) of overseas branches (including overseas banking unit in Mumbai) increased by 90.2% to Rs. 524.71 billion at year-end fiscal 2007 from Rs. 275.86 billion at year-end fiscal 2006.

Our equity share capital and reserves at year-end fiscal 2007 increased to Rs. 243.13 billion as compared to Rs. 222.06 billion at year-end fiscal 2006 primarily due to retained earnings for the year and exercise of employee stock option. As per the transition provision of Accounting Standard 15 - (Revised) on “Accounting for retirement benefits in financial statements of employer”, the difference in the liability on account of gratuity benefits created by the Bank at March 31, 2006 due to the revised standard have been adjusted in “Reserves and Surplus”.

Total deposits increased 39.6% to Rs. 2,305.10 billion at year-end fiscal 2007 from Rs. 1,650.83 billion at year-end fiscal 2006. This is commensurate with our focus of increased funding through deposits. Our savings account deposits increased to Rs. 288.38 billion at year-end fiscal 2007 from Rs. 209.37 billion at year-end fiscal 2006, while demand deposits increased to Rs. 213.76 billion at year-end fiscal 2007 from Rs. 165.73 billion at year-end fiscal 2006. Term deposits increased by 41.3% to Rs. 1,802.96 billion at year-end fiscal 2007 from Rs. 1,275.73 billion at year-end fiscal 2006. Total deposits at year-end fiscal 2007 constituted 76.5% of our funding (i.e. deposit, borrowings and subordinated debts). Borrowings (including subordinated debt) increased to Rs. 706.61 billion at year-end fiscal 2007 from Rs. 486.66 billion at year-end fiscal 2006 primarily due increase in borrowings of foreign branches and borrowings of subordinated debt for inclusion in Tier-1 and Tier-2 capital.

Summary fiscal 2006 compared to fiscal 2005

Profit before provisions and tax increased by 45.1% to Rs. 38.88 billion in fiscal 2006 from Rs. 26.80 billion in fiscal 2005 primarily due to a 46.8% increase in net interest income to Rs. 47.09 billion in fiscal 2006, a 56.3% increase in commission, exchange and brokerage to Rs. 30.02 billion in fiscal and a 37.2% decrease in treasury-related income to Rs. 3.67 billion in fiscal 2006 offset, in part, by an increase in non-interest expense (excluding depreciation on leased assets and commission paid to direct marketing agents) by 40.9% to Rs. 35.47 billion in fiscal 2006. Provisions and contingencies (excluding provision for tax) increased to Rs. 7.92 billion in fiscal 2006 from Rs. 1.52 billion in fiscal 2005. Profit after tax increased by 26.7% to Rs. 25.40 billion in fiscal 2006 from Rs. 20.05 billion in fiscal 2005.

- Net interest income increased by 46.8% to Rs. 47.09 billion in fiscal 2006 from Rs. 32.08 billion in fiscal 2005, primarily reflecting an increase of 47.9% in the average volume of interest-earning assets.

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- Commission, exchange and brokerage increased by 56.3% to Rs. 30.02 billion in fiscal 2006 from Rs. 19.21 billion in fiscal 2005, primarily due to growth in credit card fees and third-party product distribution fees, an increase in income from remittances and other fees from international banking business and growth in corporate banking fees.
- Income from treasury-related activities decreased by 37.2% to Rs. 3.67 billion in fiscal 2006 from Rs. 5.84 billion in fiscal 2005. Income from treasury-related activities includes the profit on sale of equity investments and income from derivatives reflecting primarily the transactions undertaken with customers by us and hedged internally, or in the inter-bank market and merchant foreign exchange income. This was offset by a significantly higher level of amortisation of premium on Government securities in fiscal 2006, which was Rs. 8.02 billion compared to Rs. 2.76 billion in fiscal 2005.
- Non-interest expense increased (excluding depreciation on leased assets and commission paid to direct marketing agents) by 40.9% to Rs. 35.47 billion in fiscal 2006 from Rs. 25.17 billion in fiscal 2005 primarily due to a 46.8% increase in employee expenses.
- Provisions and contingencies (excluding provision for tax) increased to Rs. 7.92 billion in fiscal 2006 from Rs. 1.52 billion in fiscal 2005 primarily due to higher provision for non-performing assets and provision for standard assets and higher level of write-backs in fiscal 2005. While profit before tax increased 22.5% to Rs. 30.97 billion in fiscal 2006 from Rs. 25.27 billion in fiscal 2005, the reduction in effective tax rate to 18.0% in fiscal 2006 from 20.7% in fiscal 2005 resulted in a 26.7% increase in profit after tax to Rs. 25.40 billion in fiscal 2006 from Rs. 20.05 billion in fiscal 2005.
- Total assets increased by 49.9% to Rs. 2,513.89 billion at year-end fiscal 2006 from Rs. 1,676.59 billion at year-end fiscal 2005 primarily due to 59.9% growth in net advances and 41.7% growth in investments.

Net Interest Income

Net interest income increased by 46.8% to Rs. 47.09 billion in fiscal 2006 from Rs. 32.08 billion in fiscal 2005, reflecting mainly the following:

- an increase of Rs. 557.43 billion or 47.9% in the average volume of interest-earning assets; and
- net interest margin of 2.7% for fiscal 2006 as compared to 2.8% for fiscal 2005.

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

Interest income increased by 46.3% to Rs. 143.06 billion in fiscal 2006 from Rs. 97.79 billion in fiscal 2005 primarily due to an increase of 47.9% in the average interest-earning assets to Rs. 1,720.57 billion, offset, in part, by a decline in the yield on average advances by 0.8% to 9.1% in fiscal 2006. In February 2006, the Reserve Bank of India issued guidelines for accounting for securitization of standard assets. In accordance with these guidelines, with effect from February 1, 2006, we account for any loss arising on securitization immediately at the time of sale and the profit/premium arising on account of securitization is amortized over the life of the asset. Prior to February 1, 2006, profit arising on account of securitization has been recorded at the time of sale. The yield on average interest-earning assets in fiscal 2006 was 8.3% compared to 8.4% in fiscal 2005.

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

Total interest expense increased by 46.1% to Rs. 95.97 billion in fiscal 2006 from Rs. 65.71 billion in fiscal 2005 primarily due to a 45.7% increase in average interest-bearing liabilities to Rs. 1,658.73 billion. Cost of funds for fiscal 2006 remained at the same levels as in fiscal 2005, at 5.8%. Cost of deposits increased to 5.0% in fiscal 2006 from 4.5% in fiscal 2005 consequent to the general increase in interest rates in India, in particular the increase in short-

term interest rates in the second half of fiscal 2006. Deposits increased by 65.4% to Rs. 1,650.83 billion at year-end fiscal 2006, constituting 77.2% of our total funding (comprising deposits, borrowings and subordinated debt) compared to 70.5% at year-end fiscal 2005.

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

Non-Interest Income

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

	Year ended March 31,		
	2005	2006	2006/2005 % change
	(in millions, except percentages)		
Commission, exchange and brokerage	Rs. 19,210.0	Rs. 30,019.5	56.3%
Income from treasury-related activities ¹	5,842.0	3,671.0	(37.2)
Lease income	4,077.6	3,606.4	(11.6)
Other income	2,267.0	4,512.0	99.0
Total non-interest income	31,396.6	Rs. 41,808.9	33.2%

1. Net of premium amortisation on Government securities.

Non-interest income increased by 33.2% to Rs. 41.81 billion in fiscal 2006 from Rs. 31.40 billion in fiscal 2005 primarily due to a 56.3% increase in commission, exchange and brokerage to Rs. 30.02 billion in fiscal 2006 from Rs. 19.21 billion in fiscal 2005 and a 37.2% decrease in income from treasury-related activities to Rs. 3.67 billion in fiscal 2006 from Rs. 5.84 billion in fiscal 2005.

Commission, exchange and brokerage increased by 56.3% primarily due to growth in credit card fees and third-party product distribution fees, increase in income from remittances and other fees from international banking business and growth in corporate banking fees.

Total income from treasury-related activities decreased by 37.2% to Rs. 3.67 billion in fiscal 2006 from Rs. 5.84 billion in fiscal 2005. Capital gains on shares were Rs. 6.77 billion for fiscal 2006 compared to Rs. 4.61 billion for fiscal 2005, as we continued to capitalize on the opportunities created by the buoyant equity markets through divestment of certain of our non-core investments and through proprietary trading operations. This was offset by significantly higher level of amortisation of premium on Government securities in fiscal 2006 which was Rs. 8.02 billion compared to Rs. 2.76 billion in fiscal 2005. Income from treasury-related activities includes the profit on sale of equity investments and income from derivatives reflecting primarily the transactions undertaken with customers by us and hedged internally, or in the inter-bank market and merchant foreign exchange income.

Lease income decreased by 11.6% to Rs. 3.61 billion in fiscal 2006 from Rs. 4.08 billion in fiscal 2005 primarily due to a reduction in lease assets since we are not entering into new lease transactions. Total leased assets were Rs. 11.74 billion at year-end fiscal 2006 compared to Rs. 14.53 billion at year-end fiscal 2005.

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

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Non-Interest Expense

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

	Year ended March 31,		
	2005	2006	2006/2005 % change
	(in millions, except percentages)		
Employee expenses	Rs. 7,374.1	Rs. 10,822.9	46.8%
Depreciation on own property (including non banking assets)	2,933.7	3,471.7	18.3
Auditors' fees and expenses	17.6	18.5	5.1
Other administrative expenditure	14,841.6	21,161.5	42.6
Total non- interest expense (excluding lease depreciation and direct marketing agency expenses)	25,167.0	35,474.6	40.9
Depreciation (including lease equalisation) on leased assets	2,969.9	2,766.3	(6.9)
Direct marketing agency expenses	8,545.7	11,770.6	37.7
Total non-interest expense	Rs. 36,682.6	Rs. 50,011.5	36.3%

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

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

Depreciation on fixed assets other than leased assets, increased by 18.3% to Rs. 3.47 billion from Rs. 2.93 billion primarily due to additions to premises of Rs. 1.45 billion and other fixed assets of Rs. 4.36 billion during fiscal 2006.

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

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

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

Provisions and Contingencies

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

	Year ended March 31,		
	2005	2006	2006/2005 % change
	(in millions, except percentages)		
Provision for investments (including credit substitutes) (net) ¹	Rs. 2,650.8	Rs.(256.0)	-%
Provision for non performing assets (incl. provision for standard assets) ²	(1,213.6)	7,947.2	(754.9)
Others	86.0	226.8	163.7
Total provisions	1,523.2	Rs. 7,918.0	419.8%

(1) Excludes amortisation on Government securities.

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

Provisions and contingencies (excluding provisions for tax) increased to Rs. 7.92 billion in fiscal 2006 from Rs. 1.52 billion in fiscal 2005 primarily due to higher provision for non-performing assets (including provision for standard assets) and higher level of write-backs in fiscal 2005. With effect from the quarter ended December 31, 2005, the Reserve Bank of India increased the requirement of general provisioning on standard loans (excluding loans to the agricultural sector and small and medium enterprises) to 0.40% compared to 0.25% applicable until September 30, 2005. In accordance with these guidelines we made general provision of Rs. 3.39 billion in fiscal 2006. During fiscal 2006, we reassessed our provision requirement on performing loans and non-performing loans on a portfolio basis and wrote back an amount of Rs. 1.69 billion from the provisions against non-performing loans, which were in excess of the regulatory requirement.

Tax Expense

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

	Year ended March 31,	
	2005	2006
	(Rs in millions, except percentages)	
Tax at marginal rate on income	9,236.7	10,423.2
Adjustments		
Difference in book and tax depreciation	1,800.0	2,351.8
Bad debts written off	(13,839.5)	(1,454.2)
Special reserve under section 36(1)(viii)	-	(2,500.0)
Surplus on sale of property/assets	20.8	(71.2)
Dividend, exempt interest and other income	(3,240.0)	(4,850.0)
Capital gains on sale of capital assets	(3,940.0)	(5,961.6)
Fair value utilization	(2,510.0)	-
Other adjustments	1,728.0	715.5

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	Year ended March 31,	
	2005	2006
	(Rs in millions, except percentages)	
Net adjustments	(19,980.8)	(11,769.7)
Tax (savings)/outgo thereon -other than capital gains	(7,311.5)	(3,961.7)
Tax (savings)/outgo thereon - 115BBB		
Tax on capital gains on sale of capital assets	204.9	96.5
Tax (savings)/outgo	(7,106.6)	(3,865.2)
Deferred taxes and other tax provisions	3,059.9	(1,286.5)
Total income tax	5,190.0	5,271.5
Wealth tax	30.0	30.0
Fringe Benefit Tax	-	263.5
Total taxation	5,220.0	5,565.0
<i>Notes</i>		
Adjusted profit before taxation	25,242.0	30,966.1
Marginal rates of tax		
Other than long term capital gains	36.59%	33.66%
- Long term capital gains (STT)	0%	0%
- Long term capital gains (Non STT with indexation)	20.91%	22.44%
- Long term capital gains (Non STT without indexation)	10.46%	11.22%
- Short term capital gains (STT)	10.46%	11.22%
- Short term capital gains (Non STT)	36.59%	33.66%

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

Financial Condition

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

Our equity share capital and reserves at year-end fiscal 2006 increased by 76.9% to Rs. 222.06 billion from Rs. 125.50 billion at year-end fiscal 2005, as a result of the equity capital of Rs. 80.01 billion raised during the year and the

retained profit for the year. Total deposits increased by 65.4% to Rs. 1,650.83 billion at year-end fiscal 2006 from Rs. 998.19 billion at year-end fiscal 2005. Our savings account deposits increased by 83.8% to Rs. 209.37 billion at year-end fiscal 2006 from Rs. 113.92 billion at year-end fiscal 2005, while other demand deposits increased by 29.1% to Rs. 165.73 billion at year-end fiscal 2006 from Rs. 128.37 billion at year-end fiscal 2005. Term deposits increased by 68.8% to Rs. 1,275.73 billion at year-end fiscal 2006 from Rs. 755.90 billion at year-end fiscal 2005. Total borrowings increased by 14.8% to Rs. 385.22 billion at year-end fiscal 2006 from Rs. 335.44 billion at year-end fiscal 2005.

Summary for fiscal 2005 compared to fiscal 2004

Profit before provisions and tax increased by 13.0% to Rs. 26.80 billion in fiscal 2005 from Rs. 23.72 billion in fiscal 2004 primarily due to a 39.9% increase in net interest income to Rs. 32.08 billion in fiscal 2005, a 79.2% increase in commission, exchange and brokerage to Rs. 19.21 billion in fiscal 2005 offset, in part, by a decrease in the income from treasury-related activities by Rs. 7.25 billion to Rs. 5.84 billion in fiscal 2005 and an increase in non-interest expenses by Rs. 7.92 billion to Rs. 36.69 billion in fiscal 2005 from Rs. 28.77 billion in fiscal 2004. Provisions and contingencies (excluding tax provisions) decreased by 67.6% to Rs. 1.52 billion in fiscal 2005. Profit after tax increased by 22.5% to Rs. 20.05 billion for fiscal 2005 from Rs. 16.37 billion in fiscal 2004.

- Net interest income increased by 39.9% to Rs. 32.08 billion in fiscal 2005 from Rs. 22.93 billion in fiscal 2004, reflecting an increase of 18.1% in the average volume of interest-earning assets and increase in net interest margin by 0.5%.
- Commission, exchange and brokerage increased by 79.2% to Rs. 19.21 billion in fiscal 2005 from Rs. 10.72 billion in fiscal 2004, primarily due to growth in retail liability product income such as account servicing charges, and transaction banking fee income from small enterprises, as well as an increase in transaction banking and other fee income from corporate banking.
- Income from treasury-related activities decreased by Rs. 7.25 billion to Rs. 5.84 billion in fiscal 2005 from Rs. 13.09 billion in fiscal 2004 primarily due to a decrease in profit on the sale of investments to Rs. 5.46 billion in fiscal 2005 from Rs. 12.25 billion in fiscal 2004.
- Non-interest expenses (including direct marketing agency expenses) increased by 27.5% to Rs. 36.69 billion in fiscal 2005 from Rs. 28.76 billion in fiscal 2004 primarily due to a 35.0% increase in employee expenses and a 24.7% increase in other administrative expenses.
- Provisions and contingencies (excluding tax provisions) decreased by 67.6% to Rs. 1.52 billion in fiscal 2005 from Rs. 4.70 billion in fiscal 2004 primarily due to lower additions to non-performing assets.

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

Net Interest Income

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

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

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

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

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

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

Non-Interest Income

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

	Year ended March 31,		
	2004	2005	2005/2004 % change
	(in millions, except percentages)		
Commission, exchange and brokerage	Rs. 10,718.0	Rs. 19,210.0	79.2%
Income from treasury-related activities ¹	13,089.1	5,842.0	(55.4)
Lease income	4,210.7	4,077.6	(3.2)
Other income	1,547.9	2,267.0	46.5
Total non-interest income	Rs. 29,565.7	Rs. 31,396.6	6.2%

1. Net of premium amortisation on Government securities.

Non-interest income increased by 6.2% to Rs. 31.40 billion in fiscal 2005 from Rs. 29.57 billion in fiscal 2004 primarily due to a 79.2% increase in commission, exchange and brokerage to Rs. 19.21 billion in fiscal 2005 from Rs. 10.72 billion in fiscal 2004 offset, in part, by a decrease in income from treasury-related activities by 55.4% to Rs. 5.84 billion in fiscal 2005 from Rs. 13.09 billion in fiscal 2004.

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

Total income from treasury-related activities decreased to Rs. 5.84 billion in fiscal 2005 from Rs. 13.09 billion due to the decrease in trading profits on Government securities and corporate debt securities as a result of the increasing interest rates in the fixed income market. During fiscal 2005 the yield on 10-year Government of India securities increased by 1.52% to 6.68%. During fiscal 2004, the yield on 10-year Government of India securities had declined by 1.05% and we had capitalized on this decline to realize a high level of trading profits on fixed income securities. The level of trading profits is volatile as it depends on specific market conditions, which may or may not be favorable. Income from treasury related activity includes income from derivatives reflecting primarily the transactions undertaken with customers by us and income from merchant foreign exchange transactions. The amortisation of premium on Government securities which was earlier shown as provisions and contingencies has been reclassified under income from treasury-related activities as per the revised guidelines of Reserve Bank of India.

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

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

Non-Interest Expense

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

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

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

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

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

We incurred direct marketing agency expenses of Rs. 8.55 billion on the retail asset portfolio in fiscal 2005 compared to Rs. 6.00 billion in fiscal 2004, in commensuration with the growth in retail business volumes. Effective April 1, 2006, the commissions paid to direct marketing agents or associates in connection with sourcing our automobile loans accounted for on an upfront basis have been included under non-interest expense.

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Provisions and contingencies

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

	Year ended March 31,		
	2004	2005	2005/2004 % change
	(in millions, except percentages)		
Provision for investments (including credit substitutes) (net) ⁽¹⁾	Rs. (96.5)	Rs. 2,650.8	- %
Provision for non-performing assets (including provision for standard assets) ⁽²⁾	4,591.2	(1,213.6)	(126.4)
Others	207.9	86.0	(58.6)
Total provisions	Rs. 4,702.6	Rs. 1,523.2	(67.6)

(1) Excludes amortisation of premium on Government securities.

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

Total provisions decreased by 67.6% to Rs. 1.52 billion in fiscal 2005 from Rs. 4.70 billion in fiscal 2004. During fiscal 2005, we had transferred investments amounting to Rs. 213.5 billion from available for sale category to held to maturity category in accordance with the Reserve Bank of India guidelines. The difference between the book value of each investment and the lower of its acquisition cost and market value on the date of transfer, amounting to Rs. 1.83 billion is included in the provision on investments. We had a net write-back a provision on loan losses of Rs. 1.21 billion in fiscal 2005 compared to a provision of Rs. 4.59 billion in fiscal 2004 primarily due to lower additions to non-performing assets and release of excess provisions in fiscal 2005.

Tax Expense

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

	Year ended March 31,	
	2004	2005
	(Rs in millions, except percentages)	
Tax at marginal rate on income	6,815.6	9,236.7
Adjustments		
Difference in book and tax depreciation	495.8	1,800.0
Bad debts written off	1,241.9	(13,839.5)
Special reserve under section 36(1)(viii)	-	-
Surplus on sale of property/assets	18.5	20.8
Dividend, exempt interest and other income	(2,876.6)	(3,240.0)
Capital gains on sale of capital assets	(4,013.4)	(3,940.0)
Fair value utilization	(8,663.8)	(2,510.0)
Other adjustments	1,152.2	1,728.0
Net adjustments	(12,645.4)	(19,980.8)
Tax (savings)/outgo thereon -other than capital gains	(4,536.5)	(7,311.5)

	Year ended March 31,	
	2004	2005
	(Rs in millions, except percentages)	
Tax (savings)/outgo thereon - 115BBB		
Tax on capital gains on sale of capital assets	211.4	204.9
Tax (savings)/outgo	(4,325.1)	(7,106.6)
Deferred taxes and other tax provisions	136.7	3,059.9
Total income tax	2,627.2	5,190.0
Wealth tax	24.0	30.0
Fringe Benefit Tax	-	-
Total taxation	2,651.2	5,220.0
Notes		
Adjusted profit before taxation	18,998.2	25,242.0
Marginal rates of tax		
Other than long term capital gains	35.88%	36.59%
- Long term capital gains (STT)	N.A	0%
- Long term capital gains (Non STT with indexation)	20.5%	20.91%
- Long term capital gains (Non STT without indexation)	10.25%	10.46%
- Short term capital gains (STT)	N.A	10.46%
- Short term capital gains (Non STT)	35.88%	36.59%

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

Financial Condition

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

During April 2004, we made a Rs. 32.46 billion offering of equity shares. Our equity share capital and reserves at year-end fiscal 2005 increased by 56.7% to Rs. 125.50 billion from Rs. 80.10 billion at year-end fiscal 2004. Total deposits increased by 46.6% to Rs. 998.19 billion at year-end fiscal 2005 from Rs. 681.09 billion at year-end fiscal 2004. Our savings account deposits increased by 36.1% to Rs. 113.92 billion at year-end fiscal 2005 from Rs. 83.72 billion at year-end fiscal 2004, while other demand deposits increased by 76.8% to Rs. 128.37 billion at year-end fiscal 2005 from Rs. 72.59 billion at year-end fiscal 2004. Term deposits increased by 44.0% to Rs. 755.90 billion at year-end fiscal 2005 from Rs. 524.78 billion at year-end fiscal 2004. Total deposits at year-end fiscal 2005 constituted 70.5% of our funding (i.e., deposits, borrowings and subordinated debt) compared to 63.1% at year-end fiscal 2004. Borrowings (including subordinated debt) increased to Rs. 417.53 billion at year-end fiscal 2005 from Rs. 398.46 billion at year-end fiscal 2004.

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Off Balance Sheet Items

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

(in billions)

	At March 31,				
	2003	2004	2005	2006	2007
Contingent liabilities					
Claims against bank not acknowledged as debts	Rs. 20.25	Rs. 25.02	Rs. 27.46	Rs. 29.78	Rs. 39.12
Liability for partly paid investments	1.80	1.24	0.17	0.17	0.17
Liability on account of outstanding forward exchange contracts	251.03	557.04	714.85	918.32	1,331.56
Guarantees given on behalf of constituents	106.35	120.29	156.41	191.03	292.12
Acceptances, endorsements & other obligations	43.25	65.14	74.12	106.87	186.71
Currency swaps ¹	29.01	44.49	112.96	172.42	325.26
Interest rate swaps and currency options	413.54	1,177.64	1,519.22	2,471.92	3,346.92
Other items for which bank is contingently liable	29.14	38.56	76.35	59.84	107.74
Total	Rs. 894.37	Rs. 2,029.42	Rs. 2,681.54	Rs. 3,950.35	Rs. 5,629.60

1. Represents notional principal amount.

Contingent liabilities increased by 42.5% or Rs. 1,679.25 billion to Rs. 5,629.60 billion at year-end fiscal 2007 from Rs. 3,950.35 billion at year-end fiscal 2006 primarily due to a 35.4% increase in interest rate swaps and currency options and a 45.0% increase in liability on account of outstanding forward exchange contracts. The 47.3% increase in contingent liabilities to Rs. 3,950.35 billion at year-end fiscal 2006 from Rs. 2,681.54 billion at year-end fiscal 2005 was primarily due to a 62.7% increase in interest rate swaps and currency options. There was an increase of 32.1% in contingent liabilities to Rs. 2,681.54 billion at year-end fiscal 2005 from Rs. 2,029.42 billion at year-end fiscal 2004 primarily due to a 29.0% increase in interest rate swaps and currency options and a 13.8% increase in acceptances, endorsements and other obligations. The 126.9% increase to Rs. 2,029.42 billion at year-end fiscal 2004 from Rs. 894.37 billion at year-end fiscal 2003 was primarily due to 184.8% increase in interest rate swaps and currency options.

Our contingent liabilities have been steadily increasing over the period from fiscal 2003. This increase is primarily due to increase in foreign exchange and derivative transactions. The swap and forward exchange contract market in India is a developing market. Market volumes have increased significantly in recent years. As an active player and market maker in swap and forward exchange contract markets and due to the fact that reduction in positions is generally achieved by entering into offsetting transactions rather than termination / cancellation of existing transactions, we have seen substantial increase in notional principal of our swap portfolio in recent years.

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

Claims against the Bank not acknowledged as debts represents 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. See "Legal and Regulatory Information – Outstanding Litigations and Material Developments" on page 330.

Capital Commitments

We are obligated under a number of capital contracts. Capital contracts are job orders of a capital nature, which have been committed. As of the balance sheet date, work had not been completed to this extent. Estimated amounts of contracts remaining to be executed on capital account aggregated Rs. 3.43 billion at year-end fiscal 2007 compared to Rs. 1.13 billion at year-end fiscal 2006. Estimated amounts of contracts remaining to be executed on capital account at year-end fiscal 2005 aggregated Rs. 704.4 million compared to Rs. 291.6 million at year-end fiscal 2004 signifying the unpaid amount for acquisition of fixed assets as per contracts entered into with suppliers.

Guarantees

As a part of our project financing and commercial banking activities, we have issued guarantees to enhance the credit standing of our customers. These generally represent irrevocable assurances that we will make payments in the event that the customer fails to fulfill its financial or performance obligations. Financial guarantees are obligations to pay a third party beneficiary where a customer fails to make payment towards a specified financial obligation. Performance guarantees are obligations to pay a third party beneficiary where a customer fails to perform a non-financial contractual obligation. The guarantees are generally for a period not exceeding 10 years. The credit risks associated with these products, as well as the operating risks, are similar to those relating to other types of financial instruments. We generally have collateral available to reimburse potential losses on the guarantees. Margins available to reimburse losses realized under guarantees amounted to Rs. 11.93 billion at year end fiscal 2007, Rs. 10.29 billion at year-end fiscal 2006 and Rs. 4.06 billion at year-end fiscal 2005. Other property or security may also be available to us to cover losses under guarantees.

	2005	2006	% change	2007	% change
	(Rupees in billions, except percentages)				
Financial guarantees ⁽¹⁾	Rs. 58.00	Rs. 61.65	6.3%	Rs. 99.84	61.9%
Performance guarantees ⁽²⁾	98.41	129.38	31.5%	192.28	48.6%
Total guarantees	Rs. 156.41	Rs. 191.03	22.1%	Rs. 292.12	52.9%

(1) Consists of instruments guaranteeing the timely contractual payment of loan obligations, primarily to foreign lenders on behalf of project companies.

(2) Consists of instruments guaranteeing the performance by a company of an obligation, such as exports.

Capital expenditure

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

	Cost at April 1, 2006	Additions	Deletion	Depreciation	Net assets at March 31, 2007
Premises	Rs. 20.20	Rs. 1.19	Rs. 0.89	Rs. 2.61	Rs. 17.89
Other fixed assets	20.53	4.47	0.65	13.04	11.31
Assets on lease	18.95	-	0.82	8.10	10.03
Total	Rs. 59.68	Rs. 5.66	Rs. 2.36	Rs. 23.75	Rs. 39.23

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	Cost at April 1, 2005	Additions	Deletion	Depreciation	Net assets at March 31, 2006
Premises	Rs. 18.83	Rs. 1.45	Rs. 0.08	Rs. 2.03	Rs. 18.17
Other fixed assets	16.30	4.36	0.13	10.63	9.90
Assets on lease	20.12	0.00	1.17	7.21	11.74
Total	Rs. 55.25	Rs. 5.81	Rs. 1.38	Rs. 19.87	Rs. 39.81

	Cost at April 1, 2004	Additions	Deletion	Depreciation	Net assets at March 31, 2005
Premises	Rs. 16.67	Rs. 2.25	Rs. 0.09	Rs. 1.52	Rs. 17.31
Other fixed assets	13.59	2.83	0.11	7.77	8.54
Assets on lease	20.65	-	0.53	5.59	14.53
Total	Rs. 50.91	Rs. 5.08	Rs. 0.73	Rs. 14.88	Rs. 40.38

Our capital expenditure on property and other assets was Rs. 5.66 billion in fiscal 2007 compared to Rs. 5.81 billion in fiscal 2006. Our capital expenditure on property and other assets increased by 14.4 % to Rs. 5.81 billion in fiscal 2006 from Rs. 5.08 billion in fiscal 2005.

Segment Information

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

Fiscal 2007 compared to Fiscal 2006

Consumer & Commercial Banking Segment

Profit before tax of the consumer and commercial banking segment is Rs. 23.38 billion in fiscal 2007 compared to Rs. 26.55 billion in fiscal 2006 primarily due to an increase in provisions and increase in non-interest expense, offset, in part by an increase in interest income and non-interest income.

Provisions and contingencies were Rs. 21.97 billion in fiscal 2007 as compared to Rs. 7.32 billion in fiscal 2006 primarily due to higher provisions created on standard assets, in accordance with the revised guidelines issued by Reserve Bank of India, a higher level of specific provisioning on retail loans due to change in the portfolio mix towards non-collateralised loans and seasoning of the loan portfolio and lower level of write-backs on corporate portfolio. General provision on standard assets increased by 115.6% to Rs. 7.31 billion in fiscal 2007 from Rs. 3.39 billion in fiscal 2006.

- Net interest income, increased by 32.3% to Rs. 56.53 billion in fiscal 2007 from Rs. 42.73 billion in fiscal 2006, primarily due to an increase in the interest income on advances and investments, offset, in part, by an increase in the interest expense on deposits.
- Non-interest income increased by 36.5% to Rs. 50.73 billion in fiscal 2007 from Rs. 37.17 billion in fiscal 2006, primarily due to growth in fee income from retail products and services, including fee arising from retail assets products and retail liability related income like account servicing charges and third party distribution fees. Fees from corporate banking and international business also witnessed a strong growth.
- Non-interest expenses increased by 34.5% to Rs. 61.92 billion in fiscal 2007 from Rs. 46.03 billion in fiscal 2006, primarily due to an increase in employee expenses and the growth in the retail franchise, including maintenance of ATMs, credit card expenses, call center expenses and technology expenses. Employee expenses increased primarily due to increase in the number of employees, annual increase in the salaries and higher cost due to monetization of benefits on loan facilities available to employees at concessional rates of interests and other employee benefits. The increase in employees was commensurate with the growth in our retail businesses.

Investment Banking Segment

Profit before tax of investment banking segment increased to Rs. 13.48 billion in fiscal 2007 from Rs. 4.80 billion in fiscal 2006 primarily due to increase in non-interest income and net interest income, offset in part, by an increase in the non-interest expenses.

Net interest income was Rs. 9.83 billion in fiscal 2007 compared to Rs. 4.36 billion in fiscal 2006 primarily due to 54.8% rise in interest income from Government securities, offset, in part, by an increase in interest on inter-bank borrowings.

Non-interest income increased by 84.5% to Rs. 8.56 billion in fiscal 2007 from Rs. 4.64 billion in fiscal 2006 primarily due to higher level of gains from equity divestments, offset in part by 24.5% increase in premium amortisation on Government securities to Rs. 9.99 billion in fiscal 2007 from Rs. 8.02 billion in fiscal 2006 and lower profits on proprietary trading as a result of the sharp fall in the equity markets in May 2006 and adverse conditions in debt markets.

Non-interest expenses increased by 28.1% to Rs. 4.61 billion in fiscal 2007 from Rs. 3.60 billion in fiscal 2006 primarily due to increase in payments to and provisions for employees and other administrative expenses.

Fiscal 2006 compared to Fiscal 2005**Consumer & Commercial Banking Segment**

Profit before tax of the consumer and commercial banking segment increased to Rs. 26.55 billion in fiscal 2006 from Rs. 18.95 billion in fiscal 2005 primarily due to an increase of 50.3% in net interest income and increase of Rs. 46.7% in non-interest income, offset, in part by increase in non-interest expenses and provisions.

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

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

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

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

Investment Banking Segment

Profit before tax of investment banking segment was Rs. 4.80 billion in fiscal 2006 as compared to Rs. 6.71 billion in fiscal 2005 primarily due to 23.4% decrease in non interest income and 57.2% increase in non-interest expenses, offset, in part by an increase of 19.2% in net interest income and decrease in provisions.

Net interest income increased by 19.2% to Rs. 4.36 billion in fiscal 2006 compared to Rs. 3.65 billion in fiscal 2005 mainly due to an 80.4% rise in interest income from Government securities, offset in part by an increase in interest on inter-bank borrowings.

Non-interest income decreased by 23.4% to Rs. 4.64 billion in fiscal 2006 from Rs. 6.06 billion in fiscal 2005 primarily due to increase in premium amortisation on Government securities by Rs. 5.26 billion from Rs. 2.76 billion in fiscal 2005 to Rs. 8.02 billion in fiscal 2006, offset, in part, by higher capital gains realized on sale of equity investments.

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

Consolidated Financials as per Indian GAAP

The consolidated profit after tax for fiscal 2007 was Rs. 27.61 billion as compared to Rs. 24.20 billion for fiscal 2006 including the results of operations of our subsidiaries and other consolidating entities.

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Future bonus provisions and non-amortisation of expenses by ICICI Prudential Life Insurance Company in line with the insurance company accounting norms had a negative impact of Rs. 4.80 billion on our consolidated profits. Life insurance companies worldwide require six to eight years to achieve break-even, in view of the business set-up and customer acquisition costs in the initial years as well as reserving for actuarial liability.

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

Rs. billion

	Year ended March 31,	
	2006	2007
ICICI Securities Group	1.57	1.67
ICICI Prudential Life Insurance Company Limited	(1.88)	(6.49)
ICICI Lombard General Insurance Company Limited	0.50	0.68
ICICI Venture Funds Management Company Limited	0.50	0.70
ICICI Home Finance Company Limited	0.12	0.47
ICICI Prudential Asset Management Company Limited (formerly known as Prudential ICICI Asset Management Company Limited)	0.31	0.48
ICICI Bank UK PLC. (formerly known as ICICI Bank UK Limited)	0.64	1.77
ICICI Bank Canada	(0.25)	(0.07)
ICICI Bank Eurasia Limited Liability Company	0.01	0.05

Capital Resources

	At	
	At March 31, 2006	March 31, 2007
	(in millions, except percentages)	
Tier I capital	Rs. 191,815.3	Rs. 215,033.4
Tier II capital	86,610.9	123,928.5
Total capital	278,426.2	338,961.9
On-balance sheet risk weighted assets	1,557,235.6	2,132,642.9
Off-balance sheet risk weighted assets	528,700.3	767,287.7
Total risk weighted assets	Rs. 2,085,935.9	Rs. 2,899,930.6
Tier I capital adequacy ratio	9.20%	7.42%
Tier II capital adequacy ratio	4.15%	4.27%
Total capital adequacy ratio	13.35%	11.69%¹

(1) USD 750 million (Rs. 32.60 billion) of foreign currency bonds raised for Upper Tier II capital have been excluded from the above capital adequacy ratio computation, pending clarification required by Reserve Bank of India regarding certain terms of these bonds. If these bonds were considered as Tier-II capital, the total capital adequacy ratio would be 12.81%.

We are subject to the capital adequacy requirements of the RBI, which are primarily based on the capital adequacy accord reached by the Basel Committee of Banking Supervision, Bank of International Settlements in 1988. We are required to maintain a minimum ratio of total capital to risk adjusted assets of 9.0%, at least half of which must be Tier 1 capital.

Our total capital adequacy ratio calculated in accordance with the RBI guidelines at year end fiscal 2007 was 11.69%, including Tier I capital adequacy ratio of 7.42% and Tier II capital adequacy ratio of 4.27%. In accordance with the Reserve Bank of India guidelines, the risk-weighted assets at year-end fiscal include home loans to individuals at a

risk weightage of 75%, other consumer loans and capital market exposure at a risk weightage of 125%. Commercial real estate exposure and investments in venture capital funds have been considered at a risk weightage of 150%. The risk-weighted assets at year-end fiscal 2006 and year-end fiscal 2007 also include the impact of capital requirement for market risk on the held for trading and available for sale portfolio. Deferred tax asset amounting to Rs. 6,099.5 million and unamortized amount of expenses on Early Retirement Option Scheme amounting to Rs. 502.0 million at year-end fiscal 2007, have been reduced from Tier I capital while computing the capital adequacy ratio.

ICICI had outstanding preference share capital of Rs. 3.50 billion, representing 350, 0.001% preference shares of Rs. 1,00,00,000 each issued under the scheme of amalgamation of erstwhile ITC Classic Finance with ICICI. These preference shares are redeemable in the year 2018. The Reserve Bank of India vide letter dated April 21, 1999, permitted ICICI to include the "grant element" of such preference shares in Tier I capital subject to the creation of a corpus to be invested in Government of India securities of equivalent maturity. Subsequently, ICICI created a corpus of Rs. 0.47 billion on May 3, 1999 and invested the amount in Government of India securities. Accordingly, the grant element of this preference share capital has been included in our Tier I capital. For these preference shares, the notification dated April 17, 2002 from Ministry of Finance, Government of India, issued on the recommendation of Reserve Bank of India (RBI), under Section 53 of the Banking Regulation Act, 1949, had exempted the Bank from the restriction of Section 12(1) of the Banking Regulation Act, 1949, which prohibits the issue of preference shares by banks, for a period of five years. The Bank has applied to RBI for making a recommendation to Central Government for continuation of such exemption.

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

For all securitization deals executed subsequent to February 1, 2006, capital requirement has been considered in accordance with the Reserve Bank of India guidelines issued in this regard on February 1, 2006. In January 2006, the Reserve Bank of India issued guidelines permitting banks to issue perpetual debt with a call option after not less than 10 years, to be exercised with its prior approval, for inclusion in Tier I capital up to a maximum of 15% of total Tier I capital. The Reserve Bank of India also permitted banks to issue debt instruments with a minimum maturity of 15 years and a call option after not less than 10 years, to be exercised with its prior approval, for inclusion in Tier II capital.

In February 2005, the Reserve Bank of India had issued draft Basel II guidelines which it further modified to issue revised draft guidelines in March 2007. In April 2007, the Reserve Bank of India issued final guidelines for the implementation of a revised Basel-II capital adequacy framework that would be effective year-end fiscal 2008 for us. The guidelines for the capital adequacy framework include an increase in the minimum Tier-1 CAR from 4.5% to 6.0% and, the introduction of capital for operational risk as per Basel II. Further, the risk weight for consumer credit and residential mortgages will continue to remain at 125.0% and 75.0% (risk weights for residential mortgage loans of less than Rs. 2.0 million with loan-to-value ratio of less than 75.0% would be 50.0%). The capital adequacy norms stipulate a capital charge on undrawn commitments. The norms also increase the risk-weightage for domestic corporates (for loans greater than Rs. 100.0 million) without a solicited external rating to 150.0% in a phased manner as compared to 100% currently. Similarly, non-resident corporates (for loans greater than Rs. 100.0 million) without a rating from an international rating agency would attract 150.0% risk weightage in a phased manner compared to 100% currently.

Critical Accounting Policies

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

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

Accounting for Investments

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

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

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

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

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

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

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

Provisions/write-offs on loans and other credit facilities

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

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

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

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

Additionally, we also create provisions on individual country exposures (other than for home country exposures). The countries are categorized into seven risk categories namely insignificant, low, moderate, high, very high, restricted and off-credit and provisioning is made on a graded scale ranging from 0.25% to 100% where net funded exposure is 1% or more of our total funds. For short term exposures (i.e. exposures with contractual maturity of less than 180 days) lower level of provisioning at 25% of the above requirement is required to be made.

Transfer and servicing of assets

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

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

Significant changes in accounting policies

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

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

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

SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA

The following tables set forth our summary financial and operating data on a consolidated basis. The summary data for fiscal 2003 through fiscal 2007 have been derived from our consolidated financial statements. The accounting and reporting policies used in the preparation of our financial statements reflect general industry practices and conform with Indian GAAP, including the Accounting Standards issued by the Institute of Chartered Accountants of India, guidelines issued by the Reserve Bank of India, the Insurance Regulatory and Development Authority and the National Housing Bank as applicable to ICICI Bank and specific subsidiaries. The following discussion is based on our audited consolidated financial statements and accompanying notes prepared in accordance with Indian GAAP.

The consolidated financial statements for fiscal 2003 were jointly audited by N.M. Rajji & Co., Chartered Accountants and S.R. Batliboi & Co., Chartered Accountants, for fiscal 2004, 2005 and 2006 by S.R. Batliboi & Co., Chartered Accountants, and for fiscal 2007 by BSR & Co., Chartered Accountants, under auditing standards issued by the Institute of Chartered Accountants of India.

You should read the following data with the more detailed information contained in "Management's Discussion and Analysis of Consolidated Financial Condition and Results of Operations" and our consolidated financial statements. Historical results do not necessarily predict our results in the future.

Operating Results Data

The following table sets forth, for the periods indicated, our operating results data.

	Year ended March 31,				
	2003	2004	2005	2006	2007
	(in millions, except per common share data)				
Selected income statement data:					
Interest income ^{(1) (2)}	Rs. 98,477	Rs. 96,589	Rs. 102,029	Rs. 151,358	Rs. 250,013
Interest expense	(81,268)	(71,677)	(68,044)	(101,015)	(176,757)
Net interest income	17,209	24,912	33,985	50,343	73,256
Non-interest income ⁽³⁾	22,671	41,758	62,530	94,797	163,625
Profit on sale of shares of ICICI Bank held by ICICI	11,911	-	-	-	-
Total income	51,791	66,670	96,515	145,140	236,881
Non-interest expenses:					
Operating expenses ⁽⁴⁾	(18,442)	(24,149)	(32,776)	(47,626)	(79,289)
Direct marketing agency expenses	(3,232)	(6,154)	(8,755)	(11,911)	(15,602)
Depreciation on leased assets	(3,167)	(2,805)	(2,975)	(2,771)	(1,883)
Expenses pertaining to insurance business ⁽⁵⁾	(3,006)	(9,200)	(26,361)	(43,389)	(83,358)
Total non-interest expenses	(27,847)	(42,308)	(70,867)	(105,697)	(180,132)
Operating profit before provisions	23,944	24,362	25,648	39,443	56,749
Provisions and contingencies	(15,967)	(5,168)	(1,864)	(8,455)	(22,774)
Profit before tax	7,977	19,194	23,784	30,988	33,975
Provision for tax	3,539	(3,398)	(5,684)	(6,998)	(7,641)
Profit after tax	11,516	15,796	18,100	23,990	26,334
Minority interest	4	8	423	211	1,272
Net profit	11,520	15,804	18,523	24,201	27,606

	Year ended March 31,				
	2003	2004	2005	2006	2007
	(in millions, except per common share data)				
Per common share:					
Earnings per share-basic ⁽⁶⁾	Rs. 18.79	Rs. 25.73	Rs. 25.45	Rs. 30.96	Rs. 30.92
Earnings per share-diluted ⁽⁷⁾	18.77	25.52	25.25	30.64	30.75
Dividends per share ⁽⁸⁾	7.50	7.50	8.50	8.50	10.00
Book value	100.58	115.16	162.63	242.75	256.72
Equity shares outstanding at the end of the period (in millions of equity shares)	613	616	737	890	899
Weighted average equity shares outstanding - basic (in millions of equity shares)	613	614	728	782	893
Weighted average equity shares outstanding – diluted (in millions of equity shares)	614	619	734	790	898

- (1) Interest on advances represents interest on rupee and foreign currency loans and advances (including bills) and hire purchase receivables and gains on sell-down of loans. Commission paid to direct marketing agents / dealers for origination of retail automobile loans which was being reduced from "Interest Income" up to fiscal 2006 has been reclassified to "Direct marketing agency expenses".
- (2) Interest income includes gains on the sell-down of loans. In February 2006, the Reserve Bank of India issued guidelines on accounting for securitization of standard assets. In accordance with these guidelines, with effect from February 1, 2006, we account for any loss arising on securitization immediately at the time of sale and the profit/premium arising on account of securitization is amortized over the life of the asset. Prior to February 1, 2006, profit arising on account of securitization was recorded at the time of sale.
- (3) As required by the Reserve Bank of India's circular no. DBOD.BP.BC.87/21.04.141/2006-07 dated April 20, 2007, we have deducted the amortization of premium on government securities, which was earlier included in "Provisions and contingencies", from "Non interest income". Prior period figures have been reclassified to conform to the current classification.
- (4) Operating expenses for fiscal 2003 includes Rs. 256 million and operating expenses for fiscal years 2004, 2005, 2006 and 2007 includes Rs. 384 million in each year on account of amortization of expenses related to our early retirement option scheme over a period of five years as approved by the Reserve Bank of India.
- (5) The amount of premium ceded on re-insurance has been reclassified from expenses pertaining to insurance business and netted off from non-interest income.
- (6) Represents net profit/(loss) before dilutive impact.
- (7) Represents net profit/(loss) adjusted for full dilution. Options to purchase 12,610,275, 1,098,225, 5,000 and 123,500 equity shares granted to employees at a weighted average exercise price of Rs. 154.7, Rs. 266.6, Rs. 569.6 and Rs. 849.2 were outstanding in fiscal 2003, 2004, 2006 and 2007 respectively, but were not included in the computation of diluted earnings per share because the exercise price of the options was greater than the average market price of the equity shares during the period.
- (8) In India, dividends for a fiscal year are normally declared and paid in the following year. We declared a dividend of Rs. 7.50 per equity share for each of fiscal 2003 and fiscal 2004, which was paid out in August 2003 and in September 2004, i.e., in fiscal 2004 and in fiscal 2005 respectively. We declared a dividend of Rs. 8.50 per equity share for each of fiscal 2005 and fiscal 2006, which was paid out in August 2005 and in July 2006 respectively i.e., in fiscal 2006 and in fiscal 2007. The dividend per equity share shown above is based on the total amount of dividends declared for the year. We have declared a dividend of Rs. 10.00 per equity share for fiscal 2007 which is subject to the approval of shareholders.
- (9) Certain reclassifications have been made in the financial statements of prior years to conform to classifications used in the current year. These changes have no impact on previously reported results of operations or stockholders' equity.

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The following table sets forth, for the periods indicated, selected income statement data expressed as a percentage of average total assets for the respective period.

	Year ended March 31,				
	2003	2004	2005	2006	2007
Selected income statement data:					
Interest income	9.39%	8.22%	6.94%	6.99%	7.69%
Interest expense	(7.75)	(6.10)	(4.63)	(4.66)	(5.44)
Net interest income	1.64	2.12	2.31	2.33	2.25
Non-interest income	3.30(1)	3.56	4.26	4.37	5.03
Total income	4.94	5.68	6.57	6.70	7.28
Operating expenses	(1.76)	(2.06)	(2.24)	(2.20)	(2.44)
Direct marketing agency expenses	(0.31)	(0.52)	(0.60)	(0.56)	(0.48)
Depreciation on leased assets	(0.30)	(0.24)	(0.20)	(0.13)	(0.06)
Expenses pertaining to insurance business	(0.29)	(0.78)	(1.79)	(2.00)	(2.56)
Non-interest expenses	(2.66)	(3.60)	(4.83)	(4.89)	(5.54)
Operating profit before provisions	2.28	2.08	1.74	1.81	1.74
Provisions and contingencies	(1.52)	(0.44)	(0.13)	(0.39)	(0.70)
Profit before tax	0.76	1.64	1.61	1.42	1.04
Provision for tax	0.34	(0.29)	(0.39)	(0.32)	(0.24)
Profit after tax	1.10	1.35	1.22	1.10	0.80
Minority interest	0.00	0.00	0.03	0.01	0.04
Net profit	1.10%	1.35%	1.25%	1.11%	0.84%

(1) Includes profit on sale of shares of ICICI Bank held by the ICICI Bank Shares Trust. These shares were originally held by ICICI and were transferred to the ICICI Bank Shares Trust prior to the amalgamation.

	At or for the year ended March 31,				
	2003	2004	2005	2006	2007
	(in millions, except percentages)				
Selected balance sheet data:					
Total assets	Rs. 1,094,332	Rs. 1,307,476	Rs. 1,784,337	Rs. 2,772,296	Rs. 3,943,347
Investments	377,754	462,675	546,516	840,139	1,206,167
Advances, net	539,090	649,479	964,100	1,562,603	2,113,994
Non-performing customer assets (gross) ⁽¹⁾	59,063	40,821	34,973	23,086	42,557
Total liabilities	1,024,110	1,226,417	1,658,095	2,546,378	3,700,197
Deposits	479,507	680,787	1,011,086	1,724,510	2,486,136
Borrowings	367,216	349,581	383,690	450,000	616,595
Preference share capital ⁽²⁾	3,500	3,500	3,500	3,500	3,500
Equity share capital	6,127	6,164	7,368	8,898	8,993

	At or for the year ended March 31,				
	2003	2004	2005	2006	2007
	(in millions, except percentages)				
Reserves and surplus	60,595	71,395	115,374	213,520	230,657
Period average ⁽³⁾					
Total assets	1,048,825	1,174,541	1,469,378	2,166,897	3,250,679
Interest-earning assets	882,342	985,744	1,217,707	1,806,601	2,728,531
Advances, net	501,306	577,138	763,729	1,200,315	1,763,886
Total liabilities⁽⁴⁾	980,259	1,097,546	1,355,468	2,001,177	3,015,189
Interest-bearing liabilities	904,499	1,012,604	1,221,303	1,795,244	2,707,456
Borrowings	530,552	448,092	452,777	540,465	692,462
Stockholders' equity	65,066	73,495	110,410	162,220	231,990
Profitability:					
Net profit as a percentage of:					
Average total assets	1.10%	1.35%	1.25%	1.11%	0.84%
Average stockholder's equity	17.71	21.50	16.78	14.92	11.90
Dividend payout ratio ⁽⁵⁾	39.92	34.85	33.97	31.33	32.91
Spread ⁽⁶⁾	2.18	2.72	2.81	2.75	2.63
Net interest margin ⁽⁷⁾	1.95	2.53	2.79	2.79	2.68
Cost-to-income ratio ⁽⁸⁾	37.93	37.80	35.04	33.45	33.74
Cost-to-average assets ratio ⁽⁹⁾	1.76	2.06	2.23	2.20	2.44
Capital ⁽¹⁰⁾ :					
Average stockholders' equity as a percentage of average total assets	6.20	6.26	7.51	7.49	7.14
Average stockholders' equity (including preference share capital) as a percentage of average total assets	6.54	6.56	7.75	7.65	7.24
Asset quality:					
Net restructured assets as a percentage of net customer assets	13.72%	9.00%	6.08%	3.28%	2.21%
Net non-performing assets as a percentage of net customer assets	4.86	2.78	1.95	0.67	0.92
Provision on restructured assets as a percentage of gross restructured assets	3.71	12.15	4.56	4.16	3.14
Provision on non-performing assets as a percentage of gross non-performing assets	46.41	49.81	42.58	53.19	52.28
Provision as a percentage of gross customer assets ⁽¹¹⁾	7.63	5.25	2.11	1.31	1.71

(1) Includes suspended interest and claims received from Export Credit Guarantee Corporation of India/Deposit Insurance Credit Guarantee Corporation on working capital loans.

(2) ICICI had issued preference share capital redeemable at face value after 20 years. For these preference shares, the notification dated April 17, 2002 from Ministry of Finance, government of India, issued on the

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recommendation of RBI, under Section 53 of the Banking Regulation Act, 1949 had exempted us from the restriction of section 12(1) of the Banking Regulation Act, 1949, which prohibits the issue of preference shares by banks, for a period of five year. We have applied to the Reserve Bank of India for making a recommendation to central government for continuation of such exemption.

- (3) For fiscal years 2003 through 2007, the average balances are the average of quarterly balances outstanding at the end of March of the previous fiscal year and the end of June, September, December and March of that fiscal year.
- (4) Represents the average of the quarterly balance of total liabilities and minority interest.
- (5) Represents the ratio of total dividends paid on equity share capital, exclusive of dividend distribution tax, as a percentage of net income.
- (6) Represents 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.
- (7) Represents 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 the 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.
- (8) Represents the ratio of non-interest expense (excluding direct marketing agency expenses, lease depreciation and expenses pertaining to insurance business) to the sum of net interest income and non-interest income (net of lease depreciation).
- (9) Represents the ratio of non-interest expense (excluding direct marketing agency expenses, lease depreciation and expenses pertaining to insurance business) to average total assets.
- (10) ICICI Bank's capital adequacy is computed in accordance with the Reserve Bank of India's guidelines and is based on unconsolidated financial statements prepared in accordance with Indian GAAP. At March 31, 2007, ICICI Bank's total capital adequacy ratio was 11.69% with a Tier 1 capital adequacy ratio of 7.42% and a Tier 2 capital adequacy ratio of 4.27%. Foreign currency bonds amounting to Rs. 32.3 billion raised for Upper Tier-II capital have been excluded from the above capital adequacy ratio computation, pending clarification required by Reserve Bank of India regarding certain terms of these bonds. If these bonds were considered as Tier-II capital, the total capital adequacy ratio would be 12.81%.
- (11) Includes general provision on standard assets.

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

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

Introduction

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 and certain global developments, particularly in commodity prices relating to the business activities of our corporate customers and by economic conditions in the United States and other countries influencing inflation and interest rates in India. For ease of understanding the discussion of our results of operations that follows, you should consider the introductory discussion of these macroeconomic factors, the description of certain major events affecting our results and financial condition and other key factors.

Key factors

Till fiscal 2004, ICICI Prudential Life Insurance Company Limited and ICICI Lombard General Insurance Company Limited have been accounted as joint ventures using the proportionate consolidation method as prescribed by Accounting Standard 27 on "Financial Reporting of Interests in Joint Ventures" issued by the Institute of Chartered Accountants of India. Therefore, our consolidated financial statements for fiscal years upto and including fiscal 2004 include a 74% share (i.e., ICICI Bank's share in each of the two joint ventures) of each line item reflected in the financial statements of these two entities. From fiscal 2005 onwards, these two entities have been accounted for on the basis of principles set out in Accounting Standard 21 on "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India, as required by the revision in Accounting Standard 27. Therefore, from fiscal 2005 our consolidated financial statements include 100% of each line item reflected in the financial statements of these two entities with a separate disclosure for minority interest. Hence, the income statement and balance sheet for fiscal 2005, fiscal 2006 and fiscal 2007 are not comparable with the income statement and balance sheet for fiscal 2004 and prior years with respect to the incorporation of the income statement and balance sheet of our insurance subsidiaries in our financial statements.

Effect of Other Acquisitions

In fiscal 2004, we acquired 100.0% ownership interest in Transamerica Apple Distribution Finance Private Limited for a cash consideration of Rs. 757 million. In fiscal 2006, we acquired 100.0% ownership interest in Investitsionno-Kreditny Bank, a Russian bank with total assets of approximately Rs. 172 million at year-end fiscal 2005. During fiscal 2006 we also acquired an additional stake of 6% in Prudential ICICI Asset Management Company Limited as well as Prudential ICICI Trust Limited. Subsequent to these acquisitions both companies have become our subsidiaries. During fiscal 2007, the board of directors of ICICI Bank Limited and the board of directors of the Sangli Bank Limited ("Sangli Bank") at their respective meetings, approved an all-stock amalgamation of Sangli Bank with ICICI Bank at a share exchange ratio of 100 shares of ICICI Bank for 925 shares of Sangli Bank. The shareholders of both banks approved the scheme in their extra-ordinary general meetings. The Reserve Bank of India has sanctioned the scheme of amalgamation with effect from April 19, 2007 under sub-section (4) of section 44A of the Banking Regulation Act, 1949. Sangli Bank was an old private sector Indian bank. At the year ended March 31, 2006, Sangli Bank had total assets of Rs. 21.5 billion, deposits of Rs. 20.0 billion, loans of Rs. 8.9 billion and capital adequacy of 1.6%. During fiscal 2006, it incurred a loss of Rs. 292.7 million. The financial statements for fiscal 2008 would include the results of the operations of Sangli Bank from April 19, 2007. The values of these transactions were not material to our overall operations.

Average Balance Sheet

The average balances for a fiscal year are the average of quarterly balances outstanding at the end of March of the previous fiscal year and June, September, December and March of that year. The average yield on average interest-earning assets is the ratio of interest income to average interest-earning assets. The average cost of average interest-bearing liabilities is the ratio of interest expense to average interest-bearing liabilities. The average balances of advances include non-performing advances and are net of allowance for loan losses. We have not recalculated tax-exempt income on a tax-equivalent basis because we believed that the effect of doing so would not be significant.

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The following table sets forth, for the periods indicated, the average balances of the assets and liabilities outstanding, which are major components of interest income, interest expense and net interest income.

	Year ended March 31,								
	2005			2006			2007		
	Average balance	Interest income/expense	Average yield/cost	Average balance	Interest income/expense	Average yield/cost	Average balance	Interest income/expense	Average yield/cost
	(in millions, except percentages)								
Assets:									
Advances:									
Rupee	Rs. 646,108	Rs. 66,698	10.32%	Rs. 1,008,153	Rs. 95,541	9.48%	Rs. 1,462,683	Rs. 149,907	10.25%
Foreign currency	117,621	6,804	5.78	192,162	10,817	5.63	301,203	19,794	6.57
Total advances	763,729	73,502	9.62	1,200,315	106,358	8.86	1,763,886	169,701	9.62
Investments:									
Rupee	371,713	23,468	6.31	474,395	38,554	8.13	654,517	60,556	9.25
Foreign currency	10,689	454	4.25	39,499	2,054	5.20	131,569	7,905	6.01
Total investments	382,402	23,922	6.26	513,894	40,608	7.90	786,086	68,461	8.71
Balances with Reserve Bank of India and other banks:									
Rupee	47,329	1,853	3.92	48,713	1,478	3.03	86,333	3,049	3.53
Foreign currency	24,247	482	1.99	43,679	1,956	4.48	92,226	5,989	6.49
Total balances with Reserve Bank of India and other banks	71,576	2,335	3.26	92,392	3,434	3.72	178,559	9,038	5.06
Other interest income	2,270	958	2,813						
Interest-earning assets:									
Rupee	1,065,150	94,289	8.85	1,531,261	136,531	8.92	2,205,893	216,325	9.82
Foreign currency	152,557	7,740	5.07	275,340	14,827	5.38	524,998	33,688	6.42
Total interest-earning assets	1,217,707	102,029	8.38	1,806,601	151,358	8.38	2,728,531	250,013	9.16
Fixed assets	40,786						41,495	41,809	
Other assets	210,885						318,801	4,80,339	
Total non-earning assets	251,671						360,296	519,788	
Total assets	Rs. 1,469,378	Rs. 102,029		Rs. 2,166,897	Rs. 151,358		Rs. 3,250,679	Rs. 250,013	

	Year ended March 31,								
	2005			2006			2007		
	Average balance	Interest income/expense	Average yield/cost	Average balance	Interest income/expense	Average yield/cost	Average balance	Interest income/expense	Average yield/cost
	(in millions, except percentages)								
Liabilities:									
Savings account deposits:									
Rupee	Rs. 97,097	Rs. 2,179	2.24%	Rs. 157,037	Rs. 3,946	2.51%	Rs. 259,744	Rs. 6,760	2.60%
Foreign currency	1,014	25	2.47	14,621	574	3.93	67,982	3,404	5.01
Total savings account deposits	98,111	2,204	2.25	171,658	4,520	2.63	327,726	10,164	3.10
Time deposits:									
Rupee	540,056	29,153	5.40	846,963	51,345	6.06	1,333,395	104,385	7.83
Foreign currency	43,276	1,266	2.93	93,309	3,726	3.99	179,519	10,016	5.58
Total time deposits	583,332	30,419	5.21	940,272	55,071	5.86	1,512,914	114,401	7.56
Other demand deposits									
Rupee	84,360			138,357			165,646		
Foreign currency	2,722			4,492			8,708		
Total other demand deposits	87,082			142,849			174,354		
Borrowings:									
Rupee	340,811	31,396	9.21	349,907	32,879	9.40	362,586	34,472	9.51
Foreign currency	111,966	4,025	3.59	190,558	8,545	4.48	329,876	17,720	5.37
Total borrowings	452,777	35,421	7.82	540,465	41,424	7.66	692,462	52,192	7.54
Interest-bearing liabilities:									
Rupee	1,062,324	62,728	5.90	1,492,264	88,170	5.91	2,121,371	145,617	6.86
Foreign currency	158,978	5,316	3.34	302,980	12,845	4.24	586,085	31,140	5.31
Total interest-bearing liabilities	1,221,302	68,044	5.57	1,795,244	101,015	5.63	2,707,456	176,757	6.53
Other liabilities	134,166			205,933			307,733		
Total liabilities	1,355,468	68,044		2,001,177	101,015		3,015,189		
Preference share capital	3,500			3,500			3,500		
Stockholders' equity	110,410			162,220			231,990		
Total liabilities and stockholders' equity	Rs. 1,469,378	Rs. 68,044		Rs. 2,166,897	Rs. 101,015		Rs. 3,250,679	Rs. 176,757	

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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,				
	2003	2004	2005	2006	2007
	(in millions, except percentages)				
Interest income	Rs. 98,477	Rs. 96,589	Rs. 102,029	Rs. 151,358	Rs. 250,013
Average interest-earning assets	882,342	985,744	1,217,707	1,806,601	2,728,531
Interest expense	81,268	71,677	68,044	101,015	176,757
Average interest-bearing liabilities	904,499	1,012,604	1,221,302	1,795,244	2,707,456
Average total assets	10,48,825	1,174,541	1,469,378	2,166,897	3,250,679
Average interest-earning assets as a percentage of average total assets	84.13%	83.93%	82.87%	83.37%	83.94%
Average interest-bearing liabilities as a percentage of average total assets	86.24	86.21	83.12	82.85	83.29
Average interest-earning assets as a percentage of average interest-bearing liabilities	97.55	97.35	99.71	100.63	100.78
Yield	11.16	9.80	8.38	8.38	9.16
Rupee	11.97	10.38	8.85	8.92	9.82
Foreign currency	4.53	4.63	5.07	5.39	6.42
Cost of funds	8.98	7.08	5.57	5.63	6.53
Rupee	9.75	7.45	5.90	5.91	6.85
Foreign currency	3.14	3.18	3.34	4.24	5.35
Spread ⁽¹⁾	2.18	2.72	2.81	2.75	2.63
Rupee	2.22	2.93	2.95	3.01	2.97
Foreign currency	1.39	1.45	1.73	1.15	1.07
Net interest margin ⁽²⁾	1.95	2.53	2.79	2.79	2.68
Rupee	2.05	2.60	2.96	3.16	3.21
Foreign currency	1.11	1.85	1.59	0.72	0.49

(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 the spread and if average interest-bearing liabilities exceed average interest-earning assets, net interest margin is less than the spread.

Fiscal 2007 to Fiscal 2006

Summary

Net profit increased by 14.1% to Rs. 27.6 billion for fiscal 2007 from Rs. 24.2 billion for fiscal 2006, primarily due to a 45.5% increase in net interest income and a 72.6% increase in non-interest income, offset in part, by a 70.4% increase in non-interest expenses and a significant increase of Rs. 14.3 billion in provisions due to higher provisions created on standard assets, higher specific provisions against retail non-performing loans and lower level of write-backs.

Net interest income increased by 45.5% to Rs. 73.3 billion for fiscal 2007 from Rs. 50.3 billion for fiscal 2006, reflecting an increase of 51.0% in the average volume of interest-earning assets.

Non-interest income increased by 72.6% to Rs. 163.6 billion for fiscal 2007 from Rs. 94.8 billion for fiscal 2006 primarily due to a 87.6% increase in income from insurance business and 67.3% increase in commission, exchange and brokerage.

Non-interest expense increased by 70.4% to Rs. 180.1 billion for fiscal 2007 from Rs. 105.7 billion in fiscal 2006 primarily due to an increase of 92.1% in expenses pertaining to insurance business, 54.1% in employee expenses and 82.9% in other administrative expenses.

Provisions and contingencies (excluding provisions for tax) increased to Rs. 22.8 billion in fiscal 2007 from Rs. 8.5 billion in fiscal 2006 primarily due to higher provisions created on standard assets, in accordance with the revised guidelines issued by the Reserve Bank of India, a higher level of specific provisioning on retail loans due to change in the portfolio mix towards non-collateralized loans and seasoning of the retail loan portfolio and lower level of write-backs.

Gross restructured loans decreased by 9.1% to Rs. 50.4 billion at year-end fiscal 2007 from Rs. 55.5 billion at year-end fiscal 2006 primarily due to transfer of certain loans to an asset reconstruction company, on being classified as non-performing. Gross non-performing assets increased by 84.3% to Rs. 42.6 billion at year-end fiscal 2007 from Rs. 23.1 billion at year-end fiscal 2006 primarily due to increase in retail non-performing loans due to change in the portfolio mix towards non-collateralized loans and seasoning of the retail loan portfolio.

Total assets increased by 42.2% to Rs. 3,943.3 billion at year-end fiscal 2007 compared to Rs. 2,772.3 billion at year-end fiscal 2006 primarily due to an increase of 35.3% in loans and 43.6% in investments.

Net Interest Income

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

	Year ended March 31,		
	2006	2007	2007/2006 % change
	(in millions, except percentages)		
Interest income	Rs. 151,358	Rs. 250,013	65.2%
Interest expense	(101,015)	(176,757)	75.0
Net interest income	Rs. 50,343	Rs. 73,256	45.5%

Net interest income increased by 45.5% to Rs. 73.3 billion in fiscal 2007 from Rs. 50.3 billion in fiscal 2006 reflecting mainly the following:

- an increase of Rs. 921.9 billion or 51.0% in the average volume of interest-earning assets; and
- net interest margin of 2.7% in fiscal 2007 compared to 2.8% in fiscal 2006.

In February 2006, the Reserve Bank of India issued guidelines on accounting for securitization of standard assets. In accordance with these guidelines, with effect from February 1, 2006, we account for any loss on securitization immediately at the time of sale and the profit/premium arising on account of securitization is amortized over the life of the asset. Prior to February 1, 2006, profit arising on account of securitization was recorded at the time of sale. Interest income for fiscal 2007 reflected a loss from sell-down of loans as compared to a gain accounting for approximately 9.1% of net interest income in fiscal 2006, due to the impact of these guidelines requiring amortization of profit on securitization from February 1, 2006 and the prevailing liquidity and interest rate scenario.

We use marketing agents, called direct marketing agents or associates, for sourcing our automobile loans. Until fiscal 2006, we deducted commission paid to direct marketing agents of automobile loans from interest income. For fiscal 2007, we have reported all direct marketing agency expenses, on automobile loans and other retail loans separately under "non-interest expense". These commissions are expensed upfront and not amortized over the life of the loan. Necessary re-classifications have been made for the prior years.

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The average volume of interest-earning assets increased by 51.0% or Rs. 921.9 billion to Rs. 2,728.5 billion during fiscal 2007 from Rs. 1,806.6 billion during fiscal 2006, primarily due to an increase in average advances by Rs. 563.6 billion and an increase in average investments by Rs. 272.2 billion. Average advances increased by 47.0% to Rs. 1,763.9 billion in fiscal 2007 from Rs. 1,200.3 billion in fiscal 2006 primarily due to increased disbursements of retail finance loans offset, in part, by the sell-down/securitization and repayments of loans. The average volume of interest-earning foreign currency assets increased by 90.7% to Rs. 525.0 billion during fiscal 2007 from Rs. 275.3 billion during fiscal 2006 primarily due to increased business volumes of our international branches and banking subsidiaries.

Interest income increased by 65.2% to Rs. 250.0 billion for fiscal 2007 from Rs. 151.4 billion for fiscal 2006 primarily due to an increase of 51.0% in the average volume of total interest-earning assets to Rs. 2,728.5 billion during fiscal 2007 from Rs. 1,806.6 billion during fiscal 2006. The overall yield on average interest-earning assets increased to 9.2% for fiscal 2007 from 8.4% for fiscal 2006 primarily due to increase in yield on advances to 9.6% for fiscal 2007 from 8.9% for fiscal 2006 and increase in yield on investments to 8.7% for fiscal 2007 from 7.9% for fiscal 2006. The yield on advances has increased despite the significant decline in income from sell-down of loans due to an increase in lending rates in line with the general increase in interest rates and increase in the volumes of certain high yielding loans. The ICICI Bank Benchmark Advance Rate (ICICI Bank's prime lending rate) has increased by 300 basis points from March 31, 2006 to April 1, 2007. Our reference rate for floating rate home loans has increased by 350 basis points during the same period. The yield on average earning investments increased primarily due to an increase in the yield on average government securities by 80 basis points to 8.5% in fiscal 2007 from 7.7% in fiscal 2006.

Total interest expense increased by 75.0% to Rs. 176.8 billion during fiscal 2007 from Rs. 101.0 billion during fiscal 2006 primarily due to an increase of 50.8% in average interest-bearing liabilities to Rs. 2,707.5 billion in fiscal 2007 from Rs. 1,795.2 billion in fiscal 2006. Average deposits, with an average cost of 6.2% for fiscal 2007, constituted 74.4% of total average interest-bearing liabilities compared to 69.9% of the total average interest-bearing liabilities with a cost of 4.8% for fiscal 2006. Our cost of deposits has increased by 1.4% to 6.2% in fiscal 2007 from 4.8% in fiscal 2006 consequent to general increase in interest rates reflecting tight systemic liquidity scenario, particularly in the second half of fiscal 2007 and resulting in an increase in deposit rates for retail and other customers. The average cost of total borrowings including subordinated debt decreased to 7.5% in fiscal 2007 from 7.7% in fiscal 2006 primarily due to increase in foreign currency borrowings and repayment of high cost borrowings of ICICI.

As a result of the higher cost of funds and decrease in the gains on securitization / sell down of assets, net interest margin decreased to 2.7% in fiscal 2007 from 2.8% in fiscal 2006. Net interest margin is expected to continue to be lower than other banks in India until we increase the proportion of retail deposits including low cost deposits in our total funding. The net interest margin is also impacted by the relatively lower net interest margin earned by our foreign branches, which is offset by the higher fee income that we are able to earn by leveraging our international presence and our ability to meet the foreign currency borrowing requirements of Indian companies.

Interest rates in the banking system have continually increased over the last two years. As our liabilities, in general, re-price faster than our assets, our net interest income is adversely impacted in a rising interest rate scenario. During the last quarter of fiscal 2007, the Indian markets experienced volatility and sharp increases in interest rates and we experienced a sharp increase in our funding costs, which may adversely impact our net interest margin during fiscal 2008 until the yield on our interest-earning assets also increases to offset the increase in funding costs. Further, it cannot be assured that we would be able to pass through all the increases in our funding costs to our lending customers. Any failure to pass the higher funding costs completely to our customers would adversely impact our net interest margin. Higher interest rates would also impact our fixed income trading and other investment portfolio adversely.

The Reserve Bank of India has increased the cash reserve ratio requirement for banks from 5.0% at the beginning of fiscal 2007 to 6.5% currently. Further effective April 13, 2007 the Reserve Bank of India has discontinued the interest payment on the balances maintained under the cash reserve ratio requirement. As a result, during fiscal 2008 and subsequent years we would earn no interest income on the cash reserve ratio requirement of 6.5% of net demand and time liabilities maintained in the form of balances with the Reserve Bank of India as compared to interest income of 1.4% on the lower cash reserve ratio requirement during fiscal 2007. This will adversely impact our net interest income and net interest margin in fiscal 2008.

Non-Interest Income

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

	Year ended March 31,		
	2006	2007	2007/2006 % change
	(in millions, except percentages)		
Commission, exchange and brokerage	Rs. 32,546	Rs. 54,432	67.3%
Profit/(loss) on sale of investments (net)	10,989	14,062	28.0
Profit/(loss) on revaluation of investments (net)	(8,527)	(11,777)	38.1
Profit/(loss) on sale of land, buildings and other assets (net)	52	351	575.5
Profit/(loss) on foreign exchange transactions (net)	4,452	8,435	89.5
Income pertaining to insurance business ⁽¹⁾	50,704	95,126	87.6
Miscellaneous income (including lease income)	4,581	2,996	(34.6)
Total other income	Rs. 94,797	Rs. 163,625	72.6%

(1) The amount of premium ceded on re-insurance has been reclassified from expenses pertaining to insurance business and netted off from non-interest income.

Non-interest income increased by 72.6% for fiscal 2007 to Rs. 163.6 billion from Rs. 94.8 billion for fiscal 2006 primarily due to a 67.3% increase in commission, exchange and brokerage to Rs. 54.4 billion in fiscal 2007 from Rs. 32.5 billion in fiscal 2006 and a 87.6% increase in income pertaining to insurance business to Rs. 95.1 billion in fiscal 2007 from Rs. 50.7 billion in fiscal 2006.

Commission, exchange and brokerage increased by 67.3% to Rs. 54.4 billion in fiscal 2007 from Rs. 32.5 billion primarily due to growth in fee income from retail products and services, including fee arising from retail asset products and credit cards, retail liability related fee income like account servicing charges, third party distribution fees and fees from small enterprise customers. Fees from commercial banking operations for corporate and international customers also witnessed strong growth. Commission, exchange and brokerage of our UK subsidiary increased by 61.4% to Rs. 1.7 billion in fiscal 2007 from Rs. 1.1 billion in fiscal 2006 primarily due to increase in fees from structuring and syndication of financing transactions. Commission, exchange and brokerage of our investment banking subsidiary increased to Rs. 6.7 billion in fiscal 2007 from Rs. 3.0 billion in fiscal 2006 primarily due to increase in the advisory fees and the income of ICICI Web Trade Limited which was amalgamated with our investment banking subsidiary with effect from April 1, 2006.

Profit on sale of investments increased by 28.0% to Rs. 14.1 billion in fiscal 2007 from Rs. 11.0 billion in fiscal 2006 primarily due to higher level of gains from equity divestments, offset in part by lower profits on proprietary trading as a result of the sharp fall in the equity markets in May 2006 and adverse conditions in debt markets. The net loss on revaluation of investments was Rs. 11.8 billion in fiscal 2007 as compared to Rs. 8.5 billion in fiscal 2006 primarily due to amortization of premium on government securities which was earlier classified as provisions and contingencies. This re-classification is in accordance with the revised guidelines of the Reserve Bank of India issued on April 20, 2007. Income from foreign exchange transaction includes income from derivatives reflecting primarily the transactions undertaken with customers by us and hedged in the inter-bank market, and income from merchant foreign exchange transactions. Income from foreign exchange transactions increased by 89.5% to Rs. 8.4 billion in fiscal 2007 from Rs. 4.5 billion in fiscal 2006 primarily due to increase in the volumes of the foreign exchange transactions, including the derivative transactions undertaken with customers by us and hedged in the inter-bank market.

Income pertaining to insurance business representing premium income of our life and general insurance subsidiaries increased by 87.6% to Rs. 95.1 billion in fiscal 2007 from Rs. 50.7 billion in fiscal 2006. The income pertaining to insurance business includes Rs. 81.4 billion from our life insurance business and Rs. 13.7 billion net written premium from our general insurance business. The new business premium of ICICI Prudential Life Insurance Company Limited increased by 98.4% to Rs. 51.6 billion in fiscal 2007 from Rs. 26.0 billion in fiscal 2006. The gross written premium of ICICI Lombard General Insurance Company Limited increased by 88.7% to Rs. 30.0 billion in fiscal 2007 from Rs. 15.9 billion in fiscal 2006. We recognize life insurance premium as income when due. Premium on lapsed policies is recognized as income when such policies are reinstated. General insurance premium is recognized as income over the period of risks or the contract period. Any subsequent revision to premium is recognized over the remaining period of risks or contract period.

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Miscellaneous income declined by 34.6% to Rs. 3.0 billion in fiscal 2007 from Rs. 4.6 billion in fiscal 2006 primarily due to decline in lease income by 34.0% to Rs. 2.4 billion in fiscal 2007 from Rs. 3.6 billion in fiscal 2006.

Non-Interest Expense

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

	Year ended March 31,		
	2006	2007	2007/2006 % change
	(in millions, except percentages)		
Payments to and provisions for employees	Rs. 17,112	Rs. 26,365	54.1%
Depreciation on own property	3,908	4,272	9.3
Auditor's fees and expenses	43	64	48.1
Other administrative expenses	26,563	48,588	82.9
Operating expenses	47,626	79,289	66.5
Direct marketing agency expenses	11,912	15,602	31.0
Depreciation on leased assets	2,771	1,883	(32.1)
Expenses pertaining to insurance business ⁽¹⁾	43,389	83,358	92.1
Total non-interest expenses	Rs. 105,698	Rs. 180,132	70.4%

(1) The amount of premium ceded on re-insurance has been reclassified from expenses pertaining to insurance business and netted off from non-interest income.

Non-interest expense increased by 70.4% to Rs. 180.1 billion in fiscal 2007 from Rs. 105.7 billion in fiscal 2006 primarily due to an increase of 92.1% in expenses pertaining to the insurance business, increase of 54.1% in employee expenses and 82.9% increase in other administrative expenses.

Employee expenses increased by 54.1% to Rs. 26.4 billion in fiscal 2007 from Rs. 17.1 billion in fiscal 2006, primarily due to 47.4% increase in the number of employees. The employee expenses for ICICI Bank increased by 49.4% to Rs. 16.2 billion in fiscal 2007 from Rs. 10.8 billion in fiscal 2006 primarily due to a 31.3% increase in the number of employees to 33,321 at year-end fiscal 2007 from 25,384 at year-end fiscal 2006 and annual increase in the salaries and higher cost due to monetization of benefits on loan facilities available to employees at concessional rates of interests and other employee benefits. The employee expenses for ICICI Prudential Life Insurance Company increased by 78.2% to Rs. 5.2 billion in fiscal 2007 from Rs. 2.9 billion in fiscal 2006 primarily due to a 111.8% increase in number of employees to 16,317 at year-end fiscal 2007 from 7,704 at year-end fiscal 2006. The employee expenses for ICICI Lombard General Insurance Company increased by 103.1% to Rs. 2.4 billion in fiscal 2007 from Rs. 1.2 billion in fiscal 2006 primarily due to a 108.9% increase in number of employees to 4,770 at year-end fiscal 2007 from 2,283 at year-end fiscal 2006. The increase in employees was commensurate with the growth in businesses.

Other administrative expenses increased by 82.9% to Rs. 48.6 billion in fiscal 2007 from Rs. 26.6 billion in fiscal 2006 primarily due to the increased volume of business, particularly in retail business and include maintenance of ATMs, credit card related expenses, call center expenses and technology expenses. The number of branches (excluding foreign branches and offshore banking units) and extension counters increased to 755 at year-end fiscal 2007 from 614 at year-end fiscal 2006. The number of ATMs increased to 3,271 at year-end fiscal 2007 from 2,200 at year-end fiscal 2006. The number of branches and offices of our insurance subsidiaries increased to 803 at year-end fiscal 2007 from 463 at year-end fiscal 2006.

Direct marketing agency expenses increased by 31.0% to Rs. 15.6 billion in fiscal 2007 from Rs. 11.9 billion in fiscal 2006 in line with the growth in our business volumes. We use marketing agents, called direct marketing agents or associates, for sourcing our retail assets. We include commissions paid to these direct marketing agents of our retail assets in non-interest expense. These commissions are expensed upfront and not amortized over the life of the loan.

Expenses pertaining to insurance business, representing provisions for claims, contribution to linked business, commissions paid and reserving for actuarial liability increased by 92.1% to Rs. 83.4 billion in fiscal 2007 from Rs. 43.4 billion in fiscal 2006 primarily due to higher business levels in fiscal 2007. The provisions for claims are determined based on actuarial valuation. In line with accounting norms for insurance companies we do not amortize the customer acquisition cost, but account for the expenses upfront.

Provisions for Non-performing Assets and Restructured Loans

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

	At March 31,		
	2006	2007	2007/2006 % change
	(in millions, except percentages)		
Gross restructured loans ⁽¹⁾	Rs. 55,463	Rs. 50,407	(9.1)%
Provisions for restructured loans ⁽¹⁾	(2,305)	(1,581)	(31.4)
Net restructured loans	53,158	48,826	(8.1)
Gross non-performing assets	23,086	42,557	84.3
Provisions for non-performing assets ⁽²⁾	(12,280)	(22,249)	81.2
Net non-performing assets	10,806	20,308	87.9
Gross restructured loans and non-performing assets	78,549	92,964	18.4
Provision for restructured loans and non-performing assets ⁽³⁾	(14,585)	(23,830)	63.4
Net restructured loans and non-performing assets	63,964	69,134	8.1
Gross customer assets	1,638,525	2,234,339	36.4
Net customer assets	1,622,675	2,209,078	36.1
Gross restructured loans as a percentage of gross customer assets	3.4%	2.3%	
Gross non-performing assets as a percentage of gross customer assets	1.4	1.9	
Net restructured loans as a percentage of net customer assets	3.3	2.2	
Net non-performing assets as a percentage of net customer assets	0.7	0.9	
Provisions on restructured loans as a percentage of gross restructured assets	4.2	3.1	
Provisions on non-performing assets as a percentage of gross non-performing assets	53.2	52.3	
Provisions as a percentage of gross customer assets ⁽⁴⁾	1.3	1.7	

(1) Includes debentures.

(2) Includes interest suspense.

(3) Excludes technical write-offs.

(4) Includes provision against continuing restructured loans, loans classified as non-performing assets and general provision on performing assets as required by the Reserve Bank of India.

We classify our loans in accordance with the Reserve Bank of India guidelines into performing and non-performing loans. 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. A fully secured standard loan can be restructured by rescheduling of 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 loans.

Gross restructured loans decreased by 9.1% to Rs. 50.4 billion at year-end fiscal 2007 from Rs. 55.5 billion at year-end fiscal 2006 primarily due to transfer of certain loans to an asset reconstruction company, on being classified as non-performing. Gross non-performing assets increased by 84.3% to Rs. 42.6 billion at year-end fiscal 2007 from Rs. 23.1 billion at year-end fiscal 2006 primarily due to increase in retail non-performing loans due to a change in the portfolio mix towards non-collateralized loans and seasoning of the retail loan portfolio. We sold gross aggregate value of assets amounting to Rs. 9.8 billion to an asset reconstruction company during fiscal 2007. As a percentage

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of net customer assets, net restructured loans were 2.2% at year-end fiscal 2007 compared to 3.3% at year-end fiscal 2006 and net non-performing assets were 0.92% at year-end fiscal 2007 compared to 0.67% at year-end fiscal 2006.

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

	Year ended March 31,		
	2006	2007	2007/2006 % change
	(in millions, except percentages)		
Provisions for investments (including credit substitutes)(net) ⁽¹⁾	Rs. 134	Rs. 384	187.0%
Provision for non-performing assets	4,689	14,553	210.4
Provision for standard assets	3,428	7,529	119.6
Others	204	308	51.1
Total provisions and contingencies (excluding tax)	Rs. 8,455	Rs. 22,774	169.4%

(1) Excludes amortization on Government securities.

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

Provisions are made on standard, sub-standard and doubtful assets at rates prescribed by Reserve Bank of India. Loss assets and unsecured portion of doubtful assets are provided/written off as per the extant Reserve Bank of India guidelines. Subject to the minimum provisioning levels prescribed by the Reserve Bank of India, provisions on homogeneous retail loans/ receivables is assessed at a portfolio level, on the basis of days past due.

Provisions and contingencies (excluding provisions for tax) increased to Rs. 22.8 billion in fiscal 2007 from Rs. 8.5 billion in fiscal 2006 primarily due to higher provisions of about Rs. 4.1 billion made on standard assets in accordance with the revised guidelines issued by the Reserve Bank of India, a significantly lower level of write-backs in fiscal 2007 compared to about Rs. 6.6 billion write-backs in fiscal 2006, provisions of about Rs. 1.1 billion on account of frauds in rural portfolio, primarily in our warehouse receipt financing business and a higher level of specific provisioning on retail and other loans. The increase in provisioning on retail loans primarily reflects the growth in retail loans, seasoning of the retail loan portfolio and the change in the portfolio mix towards non-collateralized retail loan where credit losses are higher, but the higher losses are more than offset by the higher yield on such loans.

Under the Reserve Bank of India guidelines issued in September 2005, banks were required to make a general provision of 0.4% on standard loans (excluding loans to agricultural sector and to small and medium enterprises). In May 2006, the general provisioning requirement for personal loans and advances qualifying as capital market exposure, residential housing loans beyond Rs. 2.0 million and commercial real estate was further increased to 1.0% from 0.4%. In January 2007, the general provisioning requirement for personal loans, credit card receivables, loans and advances qualifying as capital market exposure, commercial real estate loans and advances to non-deposit taking systematically important non-banking financial companies was increased to 2.0%. As a result, general provision on standard assets increased by 115.6% to Rs. 7.5 billion in fiscal 2007 from Rs. 3.4 billion in fiscal 2006.

Tax Expense

Total tax expense was Rs. 7.6 billion for fiscal 2007 compared to Rs. 7.0 billion in fiscal 2006. Income tax expense was Rs. 7.0 billion for fiscal 2007 compared to Rs. 6.6 billion in fiscal 2006. The effective rate of income tax expense was 20.7% for fiscal 2007 compared to the effective rate of income tax expense of 21.2% for fiscal 2006. The effective income tax rate of 20.7% for fiscal 2007 was lower compared to the statutory tax rate of 33.7% primarily due to concessional rate of tax on capital gains, exemption of dividend income, deduction towards special reserve and deduction of income of offshore banking unit.

The Indian Finance Act, 2005 imposed an additional income tax on companies called fringe benefit tax. Pursuant to this Act, companies are deemed to have provided fringe benefits to the employees if certain defined expenses are

incurred. A portion of these expenses is deemed to be a fringe benefit to the employees and subjects the Bank to tax at a rate of 30%, exclusive of applicable surcharge and cess. This tax is effective from April 1, 2005. The fringe benefit tax expense amounted to Rs. 587 million for fiscal 2007.

Financial Condition

Assets

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

	At March 31,		
	2006	2007	2007/2006 % change
	(in millions, except percentages)		
Cash and cash equivalents	Rs. 182,551	Rs. 396,891	117.4%
Investments	840,139	1,206,167	43.6
Advances (net of provisions)	1,562,603	2,113,994	35.3
Fixed assets	41,429	43,402	4.8
Other assets	145,574	182,893	25.6
Total assets	Rs. 2,772,296	Rs. 3,943,347	42.2%

Our total assets increased by 42.2% to Rs. 3,943.3 billion at year-end fiscal 2007 compared to Rs. 2,772.3 billion at year-end fiscal 2006, primarily due to an increase in advances, investments and balances maintained with Reserve Bank of India. Net Advances increased by 35.3% to Rs. 2,114.0 billion from Rs. 1,562.6 billion primarily due to increase in retail advances in accordance with our strategy of growth in our retail portfolio, offset, in part by reduction in advances due to repayments and securitizations. Total investments at year-end fiscal 2007 increased by 43.6% to Rs. 1,206.2 billion from Rs. 840.1 billion at year-end fiscal 2006 primarily due to 31.9% increase in investments in government and other approved securities in India to Rs. 696.4 billion at year-end fiscal 2007 from Rs. 528.3 billion at year-end fiscal 2006 and 67.0% increase in other investments (including bonds and other mortgage securities) to Rs. 273.4 billion from Rs. 163.7 billion. Banks in India are required to maintain a specified percentage, currently 25%, of their net demand and time liabilities by way of liquid assets like cash, gold or approved unencumbered securities. Cash and cash equivalents increased by 117.4% to Rs. 396.9 billion from Rs. 182.6 billion primarily due to increase in balance maintained with Reserve Bank of India due to increase in cash reserve ratio from 5.0% at year-end 2006 to 6.5% effective at year-end fiscal 2007 and higher liquid cash balances maintained by overseas branches and banking subsidiaries. Total assets of our overseas offices (including overseas banking unit in Mumbai) increased by 77.4% to Rs 591.4 billion at year-end fiscal 2007 from Rs. 333.4 billion at fiscal 2006 primarily due to an increase in the total assets of our UK banking subsidiary, Singapore branch and Bahrain branch.

Liabilities and Stockholders' Equity

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

	At March 31,		
	2006	2007	2007/2006 % change
	(in millions, except percentages)		
Deposits	Rs. 1,724,510	Rs. 2,486,136	44.2%
Borrowings	450,000	616,595	37.0
Other liabilities ⁽¹⁾	360,310	581,742	61.5
Proposed dividend (including corporate dividend tax)	8,809	10,628	20.7
Minority interest	2,749	5,096	85.3
Total liabilities	2,546,378	3,700,197	45.3

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	At March 31,		
	2006	2007	2007/2006 % change
	(in millions, except percentages)		
Equity share capital	8,898	8,993	1.1
Preference share capital	3,500	3,500	0.0
Reserves and surplus	213,520	230,657	8.0
Total liabilities (including capital and reserves)	Rs. 2,772,296	Rs. 3,943,347	42.2%

(1) Includes subordinated debt.

Deposits increased by 44.2% to Rs. 2,486.1 billion at year-end fiscal 2007 from Rs. 1,724.5 billion at year-end fiscal 2006 primarily due to increase in savings deposit by 54.7% to Rs. 375.3 billion at year-end fiscal 2007 from Rs. 242.6 billion and increase in time deposit by 44.5% to Rs. 1,827.2 billion at year-end fiscal 2007 from Rs. 1,264.8 billion at year-end fiscal 2006. This significant growth in deposits was primarily achieved through increased focus on retail and corporate customers by offering a wide range of products designed to meet varied individual and corporate needs and leveraging our network of branches, extension counters and ATMs. This is commensurate with our focus of increased funding through deposits. Total deposits at year-end fiscal 2007 constituted 75.0% of our funding (i.e. deposit, borrowings and subordinated debts). Borrowings (excluding subordinated debt) increased by 37.0% to Rs. 616.6 billion at year-end fiscal 2007 from Rs. 450.0 billion at year-end fiscal 2006 primarily due to increase in foreign currency borrowings of our international branches and banking subsidiaries. Minority interest increased by 85.3% to Rs. 5.1 billion at year-end fiscal 2007 from Rs. 2.8 billion at year-end fiscal 2006 primarily due to increase of Rs. 8.7 billion in share capital and reserves of our insurance subsidiaries. Stockholders' equity increased to Rs. 239.7 billion at year-end fiscal 2007 from Rs. 222.4 billion at year-end fiscal 2006 primarily due to retained earnings for the year and exercise of employee stock option. As per the transition provision for Accounting Standard 15 – (Revised) on "Accounting for retirement benefits in financial statements of employer", the difference in liability on account of retirement benefits created by the group at March 31, 2006 due to the revised standard have been adjusted in reserves and surplus.

Fiscal 2006 to Fiscal 2005

Summary

Net profit increased by 30.7% to Rs. 24.2 billion for fiscal 2006 from Rs. 18.5 billion for fiscal 2005, primarily due to a 48.1% increase in net interest income and a 51.6% increase in non-interest income offset, in part, by a 49.1% increase in non-interest expenses and a Rs. 6.6 billion increase in provisions and contingencies.

Net interest income increased by 48.1% to Rs. 50.3 billion for fiscal 2006 from Rs. 34.0 billion for fiscal 2005, reflecting an increase of 48.4% in the average volume of interest-earning assets.

Non-interest income increased by 51.6% to Rs. 94.8 billion for fiscal 2006 from Rs. 62.5 billion for fiscal 2005 primarily due to a 56.8% increase in commission, exchange and brokerage and a 70.9% increase in income from insurance business.

Non-interest expense increased by 49.1% to Rs. 105.7 billion for fiscal 2006 from Rs. 70.9 billion in fiscal 2005 primarily due to an increase of 56.9% in employee expenses and a 64.6% increase in expenses pertaining to the insurance business.

Provisions and contingencies (excluding provisions for tax) increased to Rs. 8.5 billion in fiscal 2006 from Rs. 1.9 billion in fiscal 2005 primarily due to lower level of write-backs in fiscal 2006 and higher level of provisioning on standard assets in fiscal 2006 as per the Reserve Bank of India guidelines.

Gross restructured loans decreased by 15.5% to Rs. 55.5 billion at year-end fiscal 2006 from Rs. 65.6 billion at year-end fiscal 2005 primarily due to the reclassification of certain loans as standard based on satisfactory performance of the borrower accounts. Gross non-performing assets decreased by 34.0% to Rs. 23.1 billion at year-end fiscal 2006 from Rs. 35.0 billion at year-end fiscal 2005 primarily due to sale and repayments of certain non-performing loans.

Total assets increased by 55.4% to Rs. 2,772.3 billion at year-end fiscal 2006 compared to Rs. 1,784.3 billion at year-end fiscal 2005 primarily due to an increase in retail loans and investments in government securities.

Net Interest Income

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

	Year ended March 31,		
	2005	2006	2006/2005 % change
	(in millions, except percentages)		
Interest income	Rs. 102,029	Rs. 151,358	48.3%
Interest expense	(68,044)	(101,015)	48.5
Net interest income	Rs. 33,985	Rs. 50,343	48.1%

Net interest income increased by 48.1% to Rs. 50.3 billion in fiscal 2006 from Rs. 34.0 billion in fiscal 2005 reflecting an increase of Rs. 588.9 billion or 48.4% in the average volume of interest-earning assets.

The average volume of interest-earning assets increased by 48.4% or Rs. 588.9 billion to Rs. 1,806.6 billion during fiscal 2006 from Rs. 1,217.7 billion during fiscal 2005, primarily due to the increase in average advances. Average advances increased by 57.2% to Rs. 1,200.3 billion in fiscal 2006 from Rs. 763.7 billion in fiscal 2005. This increase in average advances was primarily due to increased disbursements of retail finance loans offset, in part, by the sell-down/securitization and repayments of loans. The average volume of interest-earning foreign currency assets increased by 80.5% to Rs. 275.3 billion during fiscal 2006 from Rs. 152.6 billion during fiscal 2005 primarily due to increased business volumes of our international branches and subsidiaries.

Total interest income increased by 48.3% to Rs. 151.3 billion for fiscal 2006 from Rs. 102.0 billion for fiscal 2005 primarily due to an increase of 48.4% in the average volume of total interest-earning assets to Rs. 1,806.6 billion during fiscal 2006 from Rs. 1,217.7 billion during fiscal 2005. The overall yield on average interest-earning assets remained at nearly the same levels given that the decline in yield on advances to 8.9% for fiscal 2006 from 9.6% for fiscal 2005 was offset by the increase in yield on investments to 7.9% for fiscal 2006 from 6.3% for fiscal 2005.

In February 2006, the Reserve Bank of India issued guidelines on accounting for securitization of standard assets. In accordance with these guidelines, with effect from February 1, 2006, we account for any loss on securitization immediately at the time of sale and the profit/premium arising on account of securitization is amortized over the life of the asset. Prior to February 1, 2006, profit arising on account of securitization was recorded at the time of sale. The gains on sell down were about 9.1% of net interest income for fiscal 2006 (0.3% of average interest-earning assets) compared to 15.3 % of net interest income for fiscal 2005 (0.4% of average interest-earning assets).

Total interest expense increased by 48.5% to Rs. 101.0 billion during fiscal 2006 from Rs. 68.0 billion during fiscal 2005 primarily due to an increase of 47.0% in average interest-bearing liabilities to Rs. 1,795.2 billion in fiscal 2006 from Rs. 1,221.3 billion in fiscal 2005. Average deposits, with an average cost of 4.8% for fiscal 2006, constituted 69.9% of total average interest-bearing liabilities compared to 62.9% of the total average interest-bearing liabilities with a cost of 4.2% for fiscal 2005. The increase in average cost of deposits in fiscal 2006 was primarily due to the general increase in interest rates reflecting the tight liquidity scenario in the last quarter of fiscal 2006. The average cost of total borrowings including subordinated debt decreased to 7.7% in fiscal 2006 from 7.8% in fiscal 2005 primarily due to increase in foreign currency borrowings and repayment of high cost borrowings of ICICI.

Our net interest margin was 2.79% for fiscal 2006, the same level as for fiscal 2005 as the positive impact of equity capital raising in fiscal 2006 was offset by increased cost of deposits and a lower contribution of securitization gains.

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Non-Interest Income

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

	Year ended March 31,		
	2005	2006	2006/2005 % change
	(in millions, except percentages)		
Commission, exchange and brokerage	Rs. 20,751	Rs. 32,546	56.8%
Profit/(loss) on sale of investments (net)	7,560	10,989	45.3
Profit/(loss) on revaluation of investments (net)	(2,619)	(8,526)	225.6
Profit/(loss) on sale of land, buildings and other assets (net)	(9)	52	(663.4)
Profit/(loss) on foreign exchange transactions (net)	2,781	4,452	60.1
Income pertaining to insurance business(1)	29,674	50,703	70.9
Miscellaneous income (including lease income)	4,392	4,581	4.3
Total other income	Rs. 62,530	Rs. 94,797	51.6%

(1) The amount of premium ceded on re-insurance has been reclassified from expenses pertaining to insurance business and netted off from non-interest income.

Non-interest income increased by 51.6% for fiscal 2006 to Rs. 94.8 billion from Rs. 62.5 billion for fiscal 2005 primarily due to a 56.8% increase in commission, exchange and brokerage to Rs. 32.5 billion in fiscal 2006 from Rs. 20.8 billion in fiscal 2005 and a 70.9% increase in income pertaining to insurance business to Rs. 50.7 billion in fiscal 2006 from Rs. 29.7 billion in fiscal 2005.

Commission, exchange and brokerage increased by 56.8% primarily due to growth in credit card fees and third-party product fees, increase in income from remittances and other fees from international banking business and growth in corporate banking fees.

Profit on sale of investments increased by 45.3% to Rs. 11.0 billion in fiscal 2006 from Rs. 7.6 billion in fiscal 2005 as we continued to capitalize on the opportunities created by the buoyant equity market through divestment of certain of our non-core investments and through proprietary trading operations. The net loss on the revaluation of investments was Rs. 8.5 billion in fiscal 2006 as compared to Rs. 2.6 billion in fiscal 2005 primarily due to significantly higher level of amortization of premium on government securities of Rs. 8.0 billion in fiscal 2006, compared to Rs. 2.8 billion in fiscal 2005. The increase in premium on government securities was primarily due to an increase in the investments in government securities and transfer of a substantial portion of the investments in government securities from "available for sale" to "held to maturity category" in the second half of fiscal 2005. This was earlier classified as provisions and contingencies and the reclassification is in accordance with the revised guidelines of the Reserve Bank of India. Income from foreign exchange transaction includes income from derivatives reflecting primarily the transactions undertaken with customers by us and hedged or in the inter-bank market, and income from merchant foreign exchange transactions.

Income pertaining to insurance business representing primarily premium income on our life and general insurance products increased by 70.9% to Rs. 50.7 billion from Rs. 29.7 billion reflecting primarily an increase in the number of policies issued. The income pertaining to insurance business includes Rs. 43.8 billion from our life insurance business and Rs. 6.9 billion from our general insurance business. We recognize life insurance premium as income when due. Premium on lapsed policies is recognized as income when such policies are reinstated. General insurance premium is recognized as income over the period of risks or the contract period. Any subsequent revision to premium is recognized over the remaining period of risks or contract period.

Miscellaneous income increased by 4.3% to Rs. 4.6 billion in fiscal 2006 from Rs. 4.4 billion in fiscal 2005. Miscellaneous income includes unrealized gain/loss on certain derivative transactions.

Non-Interest Expense

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

	Year ended March 31,		
	2005	2006	2006/2005 % change
	(in millions, except percentages)		
Payments to and provisions for employees	Rs. 10,908	Rs. 17,112	56.9%
Depreciation on own property	3,283	3,908	19.0
Auditor's fees and expenses	36	43	20.4
Other administrative expenses	18,549	26,563	43.2
Operating expenses	32,776	47,626	45.3
Direct marketing agency expenses	8,755	11,912	36.1
Depreciation on leased assets	2,975	2,771	(6.9)
Expenses pertaining to insurance business ⁽¹⁾	26,361	43,389	64.6
Total non-interest expenses	Rs. 70,867	Rs. 105,698	49.1%

(1) The amount of premium ceded on re-insurance has been reclassified from expenses pertaining to insurance business and netted off from non-interest income.

Non-interest expense increased by 49.1% to Rs. 105.7 billion in fiscal 2006 from Rs. 70.9 billion in fiscal 2005 primarily due to an increase in employee expenses and increase in the expenses pertaining to the insurance business.

Employee expenses increased by 56.9% to Rs. 17.1 billion in fiscal 2006 from Rs. 10.9 billion in fiscal 2005, primarily due to an increase in the number of employees. The employee expenses for ICICI Bank Limited increased by 45.9% to Rs. 10.8 billion in fiscal 2006 from Rs. 7.4 billion in fiscal 2005 primarily due to a 40.8% increase in the number of employees. The employee expenses for ICICI Prudential Life Insurance Company increased by 70.6% to Rs. 2.9 billion in fiscal 2006 from Rs. 1.7 billion in fiscal 2005 primarily due to a 48.7% increase in number of employees. The employee expenses for ICICI Lombard General Insurance Company increased by 61.7% to Rs. 1.2 billion in fiscal 2006 from Rs. 745 million in fiscal 2005 primarily due to a 82.8% increase in number of employees. The increase in employees was commensurate with the growth in business.

Other administrative expenses increased by 43.2% to Rs. 26.6 billion in fiscal 2006 from Rs. 18.6 billion in fiscal 2005 primarily due to the increased volume of business, particularly in retail business and include maintenance of ATMs, credit card related expenses, call center expenses and technology expenses. The number of bank branches (excluding foreign branches) and extension counters increased to 614 at year-end fiscal 2006 from 562 at year-end fiscal 2005. The number of ATMs increased to 2,200 at year-end fiscal 2006 from 1,910 at year-end fiscal 2005. The number of branches and offices of our insurance subsidiaries increased to 463 at year-end fiscal 2006 from 277 at year-end fiscal 2005.

Direct marketing agency expenses increased by 36.1% to Rs. 11.9 billion in fiscal 2006 from Rs. 8.7 billion in fiscal 2005 in line with the growth in our retail credit business. We use marketing agents, called direct marketing agents or associates, for sourcing retail assets. These commissions are expensed upfront and not amortized over the life of the loan. We reduce direct marketing agency expenses incurred in connection with sourcing our automobile loans on an upfront basis from interest income.

Expenses pertaining to insurance business, representing provisions for claims, contribution to linked business, commissions paid and reserving for actuarial liability increased by 64.6% to Rs 43.4 billion in fiscal 2006 from Rs. 26.4 billion in view of the higher business levels in fiscal 2006. The provisions for claims are determined based on actuarial valuation. In line with accounting norms for insurance companies we do not amortize the customer acquisition cost, but account for the expenses upfront.

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Provisions for Non-performing Assets and Restructured Loans

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

	At March 31,		
	2005	2006	2006/2005 % change
	(in millions, except percentages)		
Gross restructured loans ⁽¹⁾	Rs. 65,623	Rs. 55,463	(15.5)%
Provisions for restructured loans ⁽¹⁾	(2,991)	(2,305)	(22.9)
Net restructured loans	62,632	53,158	(15.1)
Gross non-performing assets	34,973	23,086	(34.0)
Provisions for non-performing assets ⁽²⁾	(14,890)	(12,280)	(17.5)
Net non-performing assets	20,083	10,806	(46.2)
Gross restructured loans and non-performing assets...	100,596	78,549	(21.9)
Provision for restructured loans and non-performing assets ⁽³⁾	(17,881)	(14,585)	(18.4)
Net restructured loans and non-performing assets	82,715	63,964	(22.7)
Gross customer assets	1,049,164	1,638,525	56.2
Net customer assets	1,029,299	1,622,675	57.6
Gross restructured loans as a percentage of gross customer assets	6.3%	3.4%	
Gross non-performing assets as a percentage of gross customer assets	3.3	1.4	
Net restructured loans as a percentage of net customer assets	6.1	3.3	
Net non-performing assets as a percentage of net customer assets	1.9	0.7	
Provisions on restructured loans as a percentage of gross restructured assets	4.6	4.2	
Provisions on non-performing assets as a percentage of gross non-performing assets	42.6	53.2	
Provisions as a percentage of gross customer assets ⁽⁴⁾	2.1	1.3	

(1) Includes debentures.

(2) Includes interest suspense.

(3) Excludes technical write-offs.

(4) Includes provision against continuing restructured loans, loans classified as non-performing assets and general provision on performing assets as required by the Reserve Bank of India.

Gross restructured loans decreased by 15.5% to Rs. 55.5 billion at year-end fiscal 2006 from Rs. 65.6 billion at year-end fiscal 2005 primarily due to the reclassification of certain loans as standard based on satisfactory performance of the borrower accounts. Gross non-performing assets decreased by 34.0% to Rs. 23.1 billion at year-end fiscal 2006 from Rs. 35.0 billion at year-end fiscal 2005 primarily due to sale and repayment of non-performing assets. We sold a gross aggregate value of assets amounting to Rs. 6.2 billion to an asset reconstruction company during fiscal 2006 and a gross outstanding amount of Rs. 14.4 billion to other entities. As a percentage of net customer assets, net restructured loans were 3.3% at year-end fiscal 2006 and 6.1% at year-end fiscal 2005 and net non-performing assets were 0.67% at year-end fiscal 2006 and 1.95% at year-end fiscal 2005.

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

	Year ended March 31,		
	2005	2006	2006/2005 % change
	(in millions, except percentages)		
Provisions for investments (including credit substitutes)(net) ⁽¹⁾	Rs. 2,668	Rs. 134	(95.0)%
Provision for non-performing assets	692	4,689	577.6
Provision for standard assets	(1,582)	3,428	316.7
Others	86	204	136.7
Total provisions and contingencies (excluding tax)	Rs. 1,864	Rs. 8,455	353.5%

(1) Excludes amortization on Government securities.

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

Provisions and contingencies (excluding provisions for tax) increased to Rs. 8.5 billion in fiscal 2006 from Rs. 1.9 billion in fiscal 2005 primarily due to the lower level of write-backs and higher level of general provisions on standard assets. With effect from the quarter ended December 31, 2005, the Reserve Bank of India increased the requirement of general provisioning on standard advances (excluding advances to the agricultural sector and small and medium enterprises) to 0.40% compared to 0.25% applicable until September 30, 2005. In accordance with the Reserve Bank of India's guidelines we made general provisions of Rs. 3.4 billion in fiscal 2006. During fiscal 2006, we re-assessed our provision requirements on performing loans and non-performing loans on a portfolio basis and wrote back an amount of Rs. 1.69 billion from the provisions against non-performing loans, which were in excess of the regulatory requirements.

Tax Expense

Total tax expense was Rs. 7.0 billion for fiscal 2006 compared to Rs. 5.7 billion in fiscal 2005. Income tax expense was Rs. 6.6 billion for fiscal 2006 compared to Rs. 5.7 billion in fiscal 2005. The effective rate of income tax expense was 21.2% for fiscal 2006 compared to the effective rate of income tax expense of 23.8% for fiscal 2005. The effective income tax rate of 21.2% for fiscal 2006 was lower compared to the statutory tax rate of 33.7% primarily due to exempt interest and dividend income and the charging of income at rates lower than statutory tax rates, offset in part by disallowances of certain expenses for tax purposes. Further, during fiscal 2006, we created a deferred tax asset on carry forward capital losses based on our firm plans that sufficient taxable capital gains will be available against which the losses can be set off.

The Indian Finance Act, 2005 imposes an additional income tax on companies called "fringe benefit tax". Pursuant to this Act, companies are deemed to have provided fringe benefits to the employees if certain defined expenses are incurred. A portion of these expenses is deemed to be a fringe benefit to the employees and subjects the Bank to tax at a rate of 30%, exclusive of applicable surcharge and cess. This tax is effective from April 1, 2005. The fringe benefit tax expense amounted to Rs. 386 million for fiscal 2006.

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Financial Condition

Assets

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

	At March 31,		
	2005	2006	2006/2005 % change
	(in millions, except percentages)		
Cash and cash equivalents	Rs. 136,277	Rs. 182,551	34.0%
Investments	546,516	840,139	53.7
Advances (net of provisions)	964,100	1,562,603	62.1
Fixed assets	41,782	41,429	(0.8)
Other assets	95,662	145,574	52.2
Total assets	Rs. 1,784,337	Rs. 2,772,296	55.4%

Our total assets increased by 55.4% to Rs. 2,772.3 billion at year-end fiscal 2006 compared to Rs. 1,784.3 billion at year-end fiscal 2005, primarily due to an increase in advances and investments. Total investments at year-end fiscal 2006 increased by 53.7% to Rs. 840.1 billion from Rs. 546.5 billion at year-end fiscal 2005 primarily due to a 46.7% increase in investments in government and other approved securities in India to Rs. 528.3 billion at year-end fiscal 2006 from Rs. 360.2 billion at year-end fiscal 2005. Net advances increased by 62.1% to Rs. 1,562.6 billion at year-end fiscal 2006 from Rs. 964.1 billion at year-end fiscal 2005 primarily due to an increase in retail assets in accordance with our strategy to increase our retail assets portfolio, offset, in part, by a reduction due to repayments and securitization of assets. Total assets (gross) of overseas branches of ICICI Bank (including offshore banking unit in Mumbai) increased by 117.3% to Rs. 275.9 billion at year-end fiscal 2006 from Rs. 127.0 billion at year-end fiscal 2005. During the year we acquired an additional stake of 6% in ICICI Prudential Asset Management Company Limited and ICICI Prudential Trust Limited increasing our total shareholding in the company to 51%. The above acquisition resulted in goodwill of Rs. 487 million, which is included in other assets. Other assets increased by 52.2% to Rs. 145.6 billion at year-end fiscal 2006 from Rs. 95.7 billion at year-end fiscal 2005 primarily due to an increase in the recoverables in the ordinary course of business from our counterparties, customers and clients resulting from the general increase in business volumes.

Liabilities and Stockholders' Equity

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

	At March 31,		
	2005	2006	2006/2005 % change
	(in millions, except percentages)		
Deposits	Rs. 1,011,086	Rs. 1,724,510	70.6%
Borrowings	383,690	450,000	17.3
Other liabilities ⁽¹⁾	254,601	360,310	41.5
Proposed dividend (including corporate dividend tax)	7,193	8,809	22.5
Minority interest	1,525	2,749	80.3
Total liabilities	1,658,095	2,546,378	53.6
Equity share capital	7,368	8,898	20.8
Preference share capital	3,500	3,500	0.0
Reserves and surplus	115,374	213,520	85.1
Total liabilities (including capital and reserves)	Rs. 1,784,337	Rs. 2,772,296	55.4%

(1) Includes subordinated debt.

Deposits increased by 70.6% to Rs. 1,724.5 billion at year-end fiscal 2006 from Rs. 1,011.1 billion at year-end fiscal 2005. This significant growth in deposits was primarily achieved through increased focus on retail and corporate customers by offering a wide range of products designed to meet varied individual and corporate needs and leveraging our network of branches, extension counters and ATMs. Borrowings (excluding subordinated debt) increased by 17.3% to Rs. 450.0 billion at year-end fiscal 2006 from Rs. 383.7 billion at year-end fiscal 2005. Minority interest increased to Rs. 2,749 million at year-end fiscal 2006 from Rs. 1,525 million at year-end fiscal 2005. The increase is primarily due to the acquisition of additional stakes in ICICI Prudential Asset Management Company Limited and ICICI Prudential Trust Limited as a result of which these companies have been accounted for as subsidiaries in fiscal 2006 as compared to the proportionate consolidation method of accounting followed in fiscal 2005. Stockholders' equity increased by 81.2% at year-end fiscal 2006 to Rs. 222.4 billion from Rs. 122.7 billion at year-end fiscal 2005 primarily due to equity capital raised by us amounting to Rs. 80.0 billion during fiscal 2006.

Off Balance Sheet Items, Commitments and Contingencies

Capital Commitments

We are obligated under a number of capital contracts. Capital contracts are job orders of a capital nature, which have been committed. As of the balance sheet date, work had not been completed to this extent. Estimated amounts of contracts remaining to be executed on capital account aggregated Rs. 3.7 billion as of March 31, 2007 as compared to Rs. 1.5 billion as of March 31, 2006.

Guarantees

As a part of our financing activities, we issue guarantees to enhance the credit standing of our customers. The guarantees are generally for a period not exceeding 10 years. The credit risk associated with these products, as well as the operating risks, are similar to those relating to other types of financial instruments. We have the same appraisal process for guarantees as that for any other loan product. Guarantees increased by 54.5% to Rs. 311.6 billion at year-end fiscal 2007 from Rs. 201.7 billion at year-end fiscal 2006.

The following table sets forth, at the dates indicated, guarantees outstanding.

	At March 31,				
	2005	2006	2006/2005 % change	2007	2007/2006 % change
	(in millions, except percentages)				
Financial guarantees(1)	Rs. 61,848	Rs. 68,660	12%	Rs. 116,303	69.4%
Performance guarantees(2)	99,808	133,079	33%	195,272	46.7%
Total guarantees	Rs. 161,656	Rs. 201,739	25%	Rs. 311,575	54.4%

(1) Consists of instruments guaranteeing the timely contractual payment of loan obligations, primarily to foreign lenders on behalf of project companies.

(2) Consists of instruments guaranteeing the performance by a company of an obligation, such as exports.

The following table sets forth contractual obligations on long-term debt, operating lease and guarantees at year-end fiscal 2007.

Contractual Obligations	Total	Payments due by period			
		Less than 1 year	1-3 years	3-5 years	More than 5 years
		(in millions)			
Long-term debt obligations	Rs. 645,924	Rs. 76,536	Rs. 220,888	Rs. 160,396	Rs. 188,104
Operating lease obligations	5,520	987	1,738	1,263	1,532
Guarantees					
Financial guarantees	116,303	65,739	35,559	8,726	6,279
Performance guarantees	195,272	72,833	89,803	26,676	5,960
Total	Rs. 963,019	Rs. 216,095	Rs. 347,988	Rs. 197,061	Rs. 201,875

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Capital Resources

ICICI Bank is subject to the capital adequacy requirements of the Reserve Bank of India, which are primarily based on the capital adequacy accord reached by the Basel Committee of Banking Supervision, Bank of International Settlements in 1988. We are required to maintain a minimum ratio of total capital to risk adjusted assets of 9.0%, at least half of which must be Tier 1 capital.

Our total capital adequacy ratio calculated in accordance with the Reserve Bank of India guidelines at year-end fiscal 2007 was 11.69%, including Tier I capital adequacy ratio of 7.42% and Tier II capital adequacy ratio of 4.27%. In accordance with the Reserve Bank of India guidelines, the risk-weighted assets at year-end fiscal include home loans to individuals at a risk weightage of 75%, other consumer loans and capital market exposure at a risk weightage of 125%. Commercial real estate exposure and investments in venture capital funds have been considered at a risk weightage of 150%. The risk-weighted assets at year-end fiscal 2006 and year-end fiscal 2007 also include the impact of capital requirement for market risk on the held for trading and available for sale portfolio. Deferred tax assets amounting to Rs. 6.1 billion and unamortised amount of expenses on Early Retirement Option Scheme amounting to Rs. 502 million at year-end fiscal 2007, have been reduced from Tier I capital while computing the capital adequacy ratio.

In accordance with the Reserve Bank of India guidelines, Tier I capital includes Rs. 1.50 billion of 20-year non-cumulative preference shares issued to ITC Limited (face value of Rs. 3.50 billion as a part of the scheme for merger of ITC Classic Finance Limited with ICICI).

Reserve Bank of India issued guidelines in October, 2005 permitting banks that have maintained capital of at least 9.0% of the risk-weighted assets for credit risk and market risk for held for trading and available for sale categories of investments to transfer the balance in the investment fluctuation reserve 'below the line' in the profit and loss appropriation account to statutory reserve, general reserve or balance of profit & loss account. Pursuant to the above, the entire balance in investment fluctuation reserve at year-end fiscal, 2006, of Rs. 13.2 billion was transferred to revenue and other reserves and hence considered in the Tier-I capital.

For all securitization deals executed subsequent to February 1, 2006, capital requirement has been considered in accordance with the Reserve Bank of India guidelines issued in this regard on February 1, 2006. In January 2006, the Reserve Bank of India issued guidelines permitting banks to issue perpetual debt with a call option after not less than 10 years, to be exercised with its prior approval, for inclusion in Tier I capital up to a maximum of 15% of total Tier I capital. The Reserve Bank of India also permitted banks to issue debt instruments with a minimum maturity of 15 years and a call option after not less than 10 years, to be exercised with its prior approval, for inclusion in Tier II capital.

In February 2005, the Reserve Bank of India had issued draft Basel II guidelines which it further modified to issue revised draft guidelines in March 2007. In April 2007, the Reserve Bank of India issued final guidelines for the implementation of a revised Basel II capital adequacy framework that would be effective year-end fiscal 2008 for us. The guidelines for the capital adequacy framework include an increase in the minimum Tier-1 Capital Adequacy Ratio from 4.5% to 6.0% and, the introduction of capital for operational risk as per Basel II. Further, the risk weight for consumer credit and residential mortgages will continue to remain at 125.0% and 75.0% (risk weights for residential mortgage loans of less than Rs. 2 million with loan-to-value ratio of less than 75.0% would be 50.0%). The capital adequacy norms stipulate a capital charge on undrawn commitments. The norms also increase the risk-weightage for domestic corporates (for loans greater than Rs. 100 million) without a solicited external rating to 150.0% in a phased manner as compared to 100% currently. Similarly, non-resident corporates (for loans greater than Rs. 100 million) without a rating from an international rating agency would attract 150.0% risk weightage in a phased manner compared to 100% currently.

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 applicable Reserve Bank of India guidelines and based on ICICI Bank's unconsolidated financial statements prepared in accordance with Indian GAAP.

	At March 31,	
	2006	2007
	(in millions)	
Tier 1 capital	Rs. 191,815	Rs. 215,033
Tier 2 capital	86,611	123,929
Total capital	Rs. 278,426	Rs. 338,962
On-balance sheet risk weighted assets	Rs. 1,557,236	Rs. 2,132,643
Off-balance sheet risk weighted assets	528,700	767,288
Total risk weighted assets	Rs. 2,085,936	Rs. 2,899,931
Tier 1 capital adequacy ratio	9.20%	7.42%
Tier 2 capital adequacy ratio	4.15%	4.27%
Total capital adequacy ratio	13.35%	11.69%

Foreign currency bonds amounting to Rs. 32.3 billion raised for Upper Tier-II capital have been excluded from the above capital adequacy ratio computation, pending clarification required by Reserve Bank of India regarding certain terms of these bonds. If these bonds were considered as Tier-II capital, the capital adequacy ratio would be 12.81%.

From time to time, we may access the capital markets through additional equity or debt offerings to increase our capital resources.

Capital Expenditure

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

	Fiscal 2005				
	Cost at March 31, 2004	Additions/ transfers	Deletions/ transfers	Depreciation	Net assets at March 31, 2005
	(in millions)				
Premises	Rs. 17,092	Rs. 2,619	Rs. (126)	Rs. 1,650	Rs. 17,935
Other fixed assets (including furniture and fixes)	14,590	3,480	(261)	8,511	9,298
Assets given on lease	20,736	213	(525)	5,875	14,549
Total	Rs. 52,418	Rs. 6,312	Rs. (912)	Rs. 16,036	Rs. 41,782

	Fiscal 2006				
	Cost at March 31, 2005	Additions/ transfers	Deletions/ transfers	Depreciation	Net assets at March 31, 2006
	(in millions)				
Premises	Rs. 19,585	Rs. 1,724	Rs. (152)	Rs. 2,278	Rs. 18,879
Other fixed assets (including furniture and fixes)	17,809	4,915	(203)	11,710	10,811
Assets given on lease	20,424		(1,259)	7,427	11,738
Total	Rs. 57,818	Rs. 6,639	Rs. (1614)	Rs. 21,415	Rs. 41,428

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	Fiscal 2007				
	Cost at March 31, 2006	Additions/ transfers	Deletions/ transfers	Depreciation	Net assets at March 31, 2007
	(in millions)				
Premises	Rs. 21,158	Rs. 3,306	Rs. (889)	Rs. 3,055	Rs. 20,520
Other fixed assets (including furniture and fixes)	22,521	5,832	(732)	14,772	12,849
Assets given on lease	19,166		(820)	8,314	10,032
Total	Rs. 62,845	Rs. 9,138	Rs. (2441)	Rs. 26,141	Rs. 43,401

Our capital expenditure on property and other assets was Rs. 9.1 billion for fiscal 2007 compared to Rs. 6.6 billion in fiscal 2006. Capital expenditure of Rs. 5.8 billion on other fixed assets in fiscal 2007 included Rs. 846.9 million on software. Our capital expenditure on premises and other assets increased by 5.2% to Rs 6.6 billion for fiscal 2006 compared to fiscal 2005.

Segment Revenues and Assets

For fiscal, 2007, a new business segment viz. "Insurance" has been added for the purposes of segment reporting. Our operations are classified into the following segments: consumer and commercial banking segment, investment banking segment, insurance segment and others.

The consumer and commercial banking segment comprises the retail and corporate banking business of the Bank and its banking subsidiaries i.e. ICICI Bank UK PLC., ICICI Bank Canada and ICICI Bank Eurasia Limited Liability Company and ICICI Home Finance Company Limited and provides medium-term and long-term project and infrastructure financing, securitization, lease financing, working capital finance and foreign exchange services to clients. Further, it provides deposit and loan products to retail customers. The investment banking segment comprises the treasury operations of the Bank and its banking subsidiaries i.e. ICICI Bank UK PLC., ICICI Bank Canada and ICICI Bank Eurasia Limited Liability Company, ICICI Securities Primary Dealership Limited (formerly ICICI Securities Limited), ICICI Securities Limited (formerly ICICI Brokerage Services Limited), ICICI Securities Inc., and ICICI Securities Holdings Inc., ICICI Venture Funds Management Company Limited, ICICI Eco-net Internet and Technology Fund, ICICI Equity Fund, ICICI Strategic Investments Fund, ICICI Emerging Sectors Fund and ICICI International Limited, and deals in the debt, equity and money markets and provides corporate advisory products such as mergers and acquisition advice, loan syndication advice and issue management services. The insurance segment comprises of ICICI Lombard General Insurance Company Limited and ICICI Prudential Insurance Company Limited and provides general and life insurances services. The others segment comprises of ICICI Prudential Asset Management Company Limited, ICICI Prudential Trust Limited, ICICI Property Trust, ICICI Investment Management Company Limited, ICICI Trusteeship Services Limited, TCW/ICICI Investment Partners LLC and TSI Ventures (India) Private Limited.

Consumer and Commercial Banking Segment

Fiscal 2007 compared to Fiscal 2006

Profit before tax of the consumer and commercial banking segment declined to Rs. 25.1 billion in fiscal 2007 from Rs. 26.0 billion in fiscal 2006, primarily due to an increase in provisions and increase in non-interest expense, offset, in part by an increase in net interest income and non-interest income.

Net interest income increased by 35.0% to Rs. 59.8 billion for fiscal 2007 from Rs. 44.3 billion for fiscal 2006, primarily due to an increase in the interest income on advances and investments, offset, in part, by an increase in the interest expense on deposits.

Non-interest income increased by 55.9% to Rs. 53.2 billion in fiscal 2007 from Rs. 34.1 billion in fiscal 2006, primarily due to growth in fee income from retail products and services, including fee arising from retail assets products and retail liability related income like account servicing charges and third party distribution fees. Fees from corporate banking and international business also witnessed a strong growth. The increase was also due to increase in commission, exchange and brokerage income of our UK banking subsidiary and investment banking subsidiary. Commission, exchange and brokerage of our investment banking subsidiary increased primarily due to increase in the advisory fees offset by decrease in fee for equity capital market services.

Non-interest expense increased 46.1% to Rs. 65.5 billion in fiscal 2007 from Rs. 44.8 billion in fiscal 2006, primarily due to an increase in employee expenses and the growth in the retail franchise, including maintenance of ATMs, credit card expenses, call center expenses and technology expenses. Employee expenses increased primarily due to increase in the number of employees, annual increase in the salaries and higher cost due to monetization of benefits on loan facilities available to employees at concessional rates of interests and other employee benefits. The increase in employees was commensurate with the growth in our retail businesses. Direct marketing agency expenses increased by 31.0% to Rs. 15.6 billion in fiscal 2007 from Rs. 11.9 billion in fiscal 2006 in line with the growth in our retail credit business. We use marketing agents, called direct marketing agents or associates, for sourcing retail assets. These commissions are expensed upfront and not amortized over the life of the loan. We reduce direct marketing agency expenses incurred in connection with sourcing our automobile loans on an upfront basis from interest income.

Provisions and contingencies increased significantly to Rs. 22.4 billion for fiscal 2007 as compared to Rs. 7.5 billion for fiscal 2006 primarily due to higher provisions created on standard assets, in accordance with the revised guidelines issued by Reserve Bank of India, a higher level of specific provisioning on retail loans due to change in the portfolio mix towards non-collateralized loans and seasoning of the loan portfolio and lower level of write-backs. General provision on standard assets increased by 111.0% to Rs. 7.3 billion in fiscal 2007 from Rs. 3.5 billion in fiscal 2006.

Fiscal 2006 compared to Fiscal 2005

Profit before tax of the commercial banking segment increased to Rs. 26.0 billion in fiscal 2006 from Rs. 18.8 billion in fiscal 2005, primarily due to an increase in net interest income by Rs. 15.0 billion in fiscal 2006 and non-interest income by Rs. 9.0 billion in fiscal 2006 as compared to fiscal 2005 offset, in part, by an increase in the provisions and contingencies (excluding provisions for tax) by Rs. 6.4 billion and an increase of Rs. 10.5 billion in non-interest expense in fiscal 2006 as compared to fiscal 2005.

Net interest income increased 51.5% to Rs. 44.3 billion for fiscal 2006 from Rs. 29.3 billion for fiscal 2005 primarily due to an increase in average interest-earning assets.

Non-interest income increased 35.9% to Rs. 34.1 billion in fiscal 2006 from Rs. 25.1 billion in fiscal 2005 primarily due to growth in commission, exchange and brokerage income. Commission, exchange and brokerage income increased mainly due to growth in credit card related fees and third party distribution fees, an increase in income from remittances and other fees from our international business and growth in fees from corporate customers.

Non-interest expense increased 30.6% to Rs. 44.8 billion in fiscal 2006 from Rs. 34.3 billion in fiscal 2005 primarily due to an increase in employee expenses and enhanced operations and the growth in retail franchise, including maintenance of ATMs, credit card expenses, call center expenses and technology expenses.

Provisions and contingencies was Rs. 7.5 billion for fiscal 2006 as compared to Rs. 1.2 billion for fiscal 2005 primarily due to increased provisions on standard assets as per Reserve Bank of India guidelines in fiscal 2006 and a lower level of write backs in fiscal 2006.

Investment Banking Segment

Fiscal 2007 compared to Fiscal 2006

Profit before tax for the investment banking segment increased to Rs. 13.9 billion in fiscal 2007 compared to Rs. 5.7 billion in fiscal 2006 primarily due to increase in non-interest income and net interest income, offset in part, by an increase in the non-interest expenses.

Net interest income increased to Rs. 11.5 billion in fiscal 2007 from Rs. 5.0 billion in fiscal 2006 primarily due to a 54.8% increase in interest income from government securities, offset, in part, by an increase in interest on inter-bank borrowings.

Non-interest income increased by 62.3% to Rs. 11.9 billion in fiscal 2007 from Rs. 7.3 billion in fiscal 2006 primarily due to higher level of gains from equity divestments, offset in part by 24.5% increase in premium amortization on government securities to Rs. 9.99 billion in fiscal 2007 from Rs. 8.02 billion in fiscal 2006 and lower profits on proprietary trading as a result of the sharp fall in the equity markets in May 2006 and adverse conditions in debt markets.

Non-interest expense increased to Rs. 9.1 billion in fiscal 2007 from Rs. 5.7 billion in fiscal 2006 primarily due to increase in payments to and provisions for employees and other administrative expenses.

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Fiscal 2006 compared to Fiscal 2005

Profit before tax for the investment banking segment declined to Rs. 5.7 billion in fiscal 2006 compared to Rs. 7.0 billion in fiscal 2005, primarily due to an increase of Rs. 2.5 billion in non-interest expenses in fiscal 2006 as compared to fiscal 2005, offset in part by an increase in the net interest income by Rs. 883 million and non-interest income by Rs. 528 million in fiscal 2006 as compared to fiscal 2005.

Net interest income increased 20.5% to Rs. 5.0 billion in fiscal 2006 from Rs. 4.1 billion in fiscal 2005 primarily due to an increase in interest income from government securities, offset in part by an increase in interest on inter-bank borrowings.

Non-interest income increased 7.8% to Rs. 7.3 billion in fiscal 2006 from Rs. 6.8 billion in fiscal 2005 primarily due to higher capital gains realized on sale of equity investments offset in part by 185.7% increase in premium amortization on government securities to Rs. 8.0 billion in fiscal 2007 from Rs. 2.8 billion in fiscal 2006. The increase in premium on government securities was primarily due to an increase in the investments in government securities and transfer of a substantial portion of the investments in government securities from "available for sale" to "held to maturity category" in the second half of fiscal 2005. This was earlier classified as provisions and contingencies and the reclassification is in accordance with the revised guidelines of the Reserve Bank of India.

Non-interest expense increased to Rs. 5.7 billion in fiscal 2006 from Rs. 3.2 billion in fiscal 2005 primarily due to an increase in employee expenses and other administrative expenses.

Insurance Segment

Fiscal 2007 compared to Fiscal 2006

The net loss of insurance segment was at Rs. 3.9 billion for fiscal 2007 as compared to Rs. 495 million for fiscal 2006 primarily due to increase in the net loss of ICICI Prudential Life Insurance Company Limited.

As would be typical for life insurance companies during the periods of high growth, ICICI Prudential Life Insurance Company Limited incurred a loss of Rs. 6.5 billion primarily due to business set-up and customer acquisition costs as well as reserving for actuarial liability. ICICI Prudential Life Insurance Company Limited recorded a growth of 98.4% in total new business premium of Rs. 51.6 billion in fiscal 2007 as compared to Rs. 26.0 billion in fiscal 2006. ICICI Prudential Life Insurance Company Limited was the largest player in the retail segment of the private sector life insurance market with a market share of about 28% during fiscal 2007 (on weighted received premium basis).

There was an increase in the net loss of ICICI Prudential Life Insurance Company Limited during fiscal 2007 primarily due to the timing differences in the recognition of premiums collected on policies sold and non-interest expenses and actuarial provisions created for future benefits under the policies, increase in non-interest expenses and appropriation of an amount of Rs. 968 million as Funds for Future Appropriation from the revenue account (policyholders account) during fiscal 2007 instead of the profit and loss account.

Life insurance premium is recognized as income when due and costs primarily related to the acquisition of new and renewal insurance contracts including commissions and policy issue expenses are expensed in the year in which they are incurred. The liability for life policies in force and also policies in respect of which premium has been discontinued but a liability exists, is determined by the appointed actuary on the basis of an annual review of the life insurance business.

The non-interest expense of ICICI Prudential Life Insurance Company Limited increased significantly in fiscal 2007 as compared to fiscal 2006 primarily due to an increase in the employee expenses and other administrative expenses. The employee expenses for ICICI Prudential Life Insurance Company increased by 78.2% primarily due to an increase in number of employees to 16,317 at year-end fiscal 2007 from 7,704 at year-end fiscal 2006. ICICI Prudential Life Insurance Company Limited has increased its agency force from approximately 72,000 at year-end fiscal 2006 to approximately 234,000 as at year-end fiscal 2007. The total number of branches has increased to 583 at year-end fiscal 2007 as compared to 309 at year-end fiscal 2006.

Pursuant to a notification issued by Insurance Regulatory Development Authority dated March 29, 2006, the appointed actuary of ICICI Prudential Life Insurance Company Limited has determined an amount of Rs. 968 million as release of actuarial reserves on policies which have lapsed in the earlier years. ICICI Prudential Life Insurance Company Limited had in fiscal 2006 appropriated an amount of Rs. 792 million, relating to reserves on policies which lapsed in the earlier years, from the profit and loss account as funds for future appropriation. This resulted in a lower amount of

transfer to the policyholders account, leading to lower losses in the profit and loss account for fiscal 2006. Based on the requirements of Insurance Regulatory Development Authority, ICICI Prudential Life Insurance Company Limited has appropriated an amount of Rs. 968 million as funds for future appropriation from the revenue account (policyholders' account) during fiscal 2007. In case ICICI Prudential Life Insurance Company Limited had followed the policy of appropriating funds for future appropriation from the profit and loss account, the loss for the year would have been lower by Rs. 968 million for fiscal 2007. However, neither the carrying value of funds for future appropriation nor the debit balance of the profit and loss account in the balance sheet is impacted by this change.

ICICI Lombard General Insurance Company Limited recorded growth of 88.7% in fiscal 2007 in total gross written premium of Rs. 30.0 billion in fiscal 2007 from Rs. 15.9 billion in fiscal 2006. ICICI Lombard General Insurance Company Limited was the largest private general insurer with a market share of 34% among the private sector general insurance companies during the year ended fiscal 2007. The profits of ICICI Lombard General Insurance Company Limited are impacted by business set up and customer acquisition costs, that are expensed as incurred under Indian GAAP.

The net income of ICICI Lombard General Insurance Company Limited at year-end fiscal 2007 increased primarily due to increase in net premium earned by 102.1%, increase in income from investments by 52.8% and increase in commission income by 51.5%, offset, by increase in net claims incurred by 109.1% and other operating expenses. The increase in net written premium was commensurate with the growth in the businesses and in particular the retail business, where premium retentions are higher.

The employee expenses for ICICI Lombard General Insurance Company Limited increased by 103.1% primarily due to an increase in the number of employees to 4,770 at year end fiscal 2007 from 2,283 at year end fiscal 2006. The increase in employees was commensurate with the growth in businesses.

Fiscal 2006 compared to Fiscal 2005

The net loss of insurance segment was Rs. 495 million for fiscal 2006 compared to Rs. 1.3 billion for fiscal 2005 primarily due to a reduction in the net loss of ICICI Prudential Life Insurance Company Limited.

ICICI Prudential Life Insurance Company Limited recorded a total new business premium of Rs. 26.0 billion in fiscal 2006 as compared to Rs. 15.8 billion in fiscal 2005, a growth of 64.6%. There was decrease in the net loss of ICICI Prudential Life Insurance Company Limited primarily due to release of actuarial reserves on policies which have lapsed in the earlier years, offset by a negative impact due to timing differences in the accounting policies on premiums collected on policies sold and non-interest expenses.

Pursuant to a notification issued by Insurance Regulatory Development Authority dated March 29, 2006, the appointed actuary of ICICI Prudential Life Insurance Company Limited has determined as amount of Rs. 792 million as release of actuarial reserves on policies which have lapsed in the earlier years which was appropriated from the profit and loss account as funds for future appropriation. This resulted in a lower amount of transfer to the policyholders' account, leading to lower losses in the profit and loss account in fiscal 2006.

The non-interest expense of ICICI Prudential Life Insurance Company Limited increased significantly in fiscal 2006 as compared to fiscal 2005 primarily due to an increase in the employee expenses and other administrative expenses. The employee expenses for ICICI Prudential Life Insurance Company increased by 68.4% primarily due to an increase in number of employees to 7,704 at year-end fiscal 2006 from 5,186 at year-end fiscal 2005. The employee expenses for ICICI Prudential Life Insurance Company Limited has increased due to increase in its agency force from approximately 56,600 at year-end fiscal 2005 to approximately 72,000 as at year-end fiscal 2006.

The net income of ICICI Lombard General Insurance Company Limited at year-end fiscal 2006 increased marginally as compared to year-end fiscal 2005 primarily due to increase in net premium earned by 144.7%, increase in income from investments by 73.1% and increase in commission income by 40.8%, offset, by increase in net claims incurred by 157.4% and other operating expenses. The increase in net premium was commensurate with the growth in the businesses especially retail business.

The employee expenses for ICICI Lombard General Insurance Company Limited increased by 61.7% primarily due to an increase in the number of employees to 2,283 at year end fiscal 2006 from 1,249 at year end fiscal 2005. The increase in employees was commensurate with the growth in businesses.

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Others Segment

Fiscal 2007 compared to Fiscal 2006

Profit before tax of the others segment increased to Rs. 528 million in fiscal 2007 from Rs. 338 million in fiscal 2006, primarily due increase in the profit before tax of ICICI Prudential Asset Management Company Limited.

The profit before tax of ICICI Prudential Asset Management Company Limited. increased primarily due to an increase investment management and portfolio management fees, offset by an increase in the brokerage and incentives paid to agents and increase in marketing, advertisement and publicity expenses.

Investment management and portfolio management fees are recognized on an accrual basis in accordance with the respective terms of contracts. Income on asset shield products under portfolio management scheme is accrued over the term. The unaccrued portion of income is carried forward as a current liability.

Brokerage and incentives are paid to agents based on the sales generated by them during the year on an accrual basis.

Fiscal 2006 compared to Fiscal 2005

Profit before tax of the others segment increased to Rs. 338 million in fiscal 2006 from Rs. 115 million in fiscal 2005, primarily due to an increase in the profit before tax of ICICI Prudential Asset Management Company Limited.

The profit before tax of ICICI Prudential Asset Management Company Limited. increased primarily due to an increase investment management and portfolio management fees, offset by, an increase in the employee expenses and brokerage and incentives paid to agents.

Critical Accounting Policies

In order to understand our financial condition and 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 held to maturity, available for sale and 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 amortized cost, if acquired at a premium over the face value. Any premium over the face value of the securities acquired is amortized over its remaining period to maturity on a constant effective yield basis. We also evaluate our investments for any other than temporary diminution in its value.

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

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

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

We compute the market value of our unquoted equity shares at the book value, if the latest balance sheet (which is not more than one year prior to the date of the valuation) is available or, at Rupee 1.

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

We account for repurchase and reverse purchase transactions in accordance with extant guidelines issued by the Reserve Bank of India.

Provisions / write-offs on loans and other credit facilities

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

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

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

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

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

Transfer and servicing of assets

We transfer commercial and consumer loans through securitization transactions. The transferred loans are de-recognised 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 deducted from proceeds of the sale. We measure the retained beneficial interests in the loans by allocating the carrying value of the loans between the assets sold and the retained interest, based on the relative fair value at the date of the securitization.

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

OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

There are no outstanding or pending litigations or suits or proceedings (whether criminal or civil), no defaults, non-payment or overdues of statutory dues, no proceedings initiated for any economic or civil offences (including past cases if found guilty) and no disciplinary action taken by SEBI or stock exchanges, and no outstanding litigation, defaults, etc., pertaining to matters likely to affect the operations and finances (including those of our subsidiaries and other group companies) whose outcome could have a material adverse effect on our operations except as disclosed and discussed in "Risk Factors" on pages xi including *"We are involved in various litigations. Any final judgement awarding material damages against us could have a material adverse impact on our future financial performance, our shareholders' funds and the price of our equity shares," "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" and "At year-end fiscal 2007, we had contingent liabilities of Rs. 5,629.60 billion. A determination against us in respect of disputed tax assessments of Rs. 39.06 billion included in contingent liabilities may adversely impact our financial performance."*

However, at May 31, 2007, the following are the outstanding or pending litigations or suits or proceedings against us / our directors involving a claim of Rs. 50.0 million and more, and against our subsidiaries and group companies involving a claim of Rs.10.0 million or more, and criminal complaints or cases, defaults, non-payment or overdues of statutory dues, proceedings initiated for any economic or civil offences (including past cases if found guilty) and disciplinary action taken by SEBI or stock exchanges (during the past five years) against us, our subsidiaries and other group companies. In light of the growth of our Bank, these threshold limits for detailed disclosure are appropriate from a materiality perspective. The compiled position of claims against us (excluding tax related matters) involving an amount of less than Rs. 50.0 million are given separately. For tax related matters the disclosures have been provided as of March 31, 2007. The compiled position of claims against our subsidiaries and other group companies (excluding tax related matters) involving an amount of less than Rs. 10.00 million are given separately. The cases filed against erstwhile Sangli Bank (which has merged with the Bank effective from April 19, 2007) involving claims in excess of Rs. 10.0 million as of May 31, 2007 have also been provided. From April 19, 2007, all the cases against erstwhile Sangli Bank ("Sangli Bank") constitute cases against us. The compiled position of claims against Sangli Bank (excluding tax related matters) involving an amount of less than Rs. 10.00 million as of May 31, 2007 are given separately.

Civil Cases Against Us

1. Special Civil Suit No. 3189 of 2002 - The suit was filed by Mardia Chemicals Limited (MCL) against us and Mr. K.V. Kamath, in his capacity as our Managing Director for damages amounting to Rs. 56.31 billion. Applications were filed by us seeking rejection of the claim on various grounds including the ground that the suit is essentially a counter claim to the suit filed by us before the Debt Recovery Tribunal (DRT), Mumbai, and is required to be tried before such forum under the Recovery of Debts due to Banks and Financial Institutions Act, 1993. The City Civil Court at Ahmedabad (Civil Court) allowed our contention and returned the plaint filed by MCL. Against the said order, MCL filed an appeal before the High Court of Gujarat. A cross appeal was filed by us on the ground that the Civil Court ought to have rejected the plaint instead of returning the same. The High Court of Gujarat passed a common order holding that the suit against us would have to be filed before the DRT, Mumbai. Thus, our application for rejection of MCL's plaint would be heard by the Civil Court. Pursuant to the order of the High Court, MCL has filed an application for amendment of their original plaint. The said application is pending hearing and the rest of the proceedings shall be taken up after a decision is reached on this application. MCL's counter claim for the same amount against us is pending before the DRT, Mumbai. The proof of affidavit has been filed. As the Company has been ordered to be wound up, the High Court has issued notice to the Official Liquidator. The Application for amendment filed by the Plaintiff is pending. Another application for rejection of plaint, qua Mr. Kamath is pending before City Civil Court, Ahmedabad. The said matter was listed on board before the City Civil Court at Ahmedabad on May 9, 2007, and the same has been adjourned till June 27, 2007.
2. Civil Suit No. 1431 of 2003 - The suit was filed against us before the City Civil Court at Ahmedabad, by Rasiklal S. Mardia, Rakesh S. Mardia and Rajiv S. Mardia (RSM), in their capacity as guarantors, for damages amounting to Rs. 20.79 billion. An application for the stay of the Original Application (OA) No.977 of 1999, pending before the Debt Recovery Tribunal (DRT), Mumbai, has been filed by us. Our pleadings under the application for stay

have been completed and the written statement has been filed. We have filed applications on various grounds, including the ground that the suit is barred by law, as the subject matter of the suit is essentially a counter claim to the suit filed by us before the DRT, Mumbai and is required to be tried before such a forum as under the Recovery of Debts due to Banks and Financial Institutions Act, 1993. Pleadings under the above applications have concluded. At the hearing on April 04, 2007, the plaintiff's advocates have submitted before the court that they would try to convince the plaintiffs to withdraw the present suit. At the request of the plaintiff's advocate, the matter had been adjourned to June 20, 2007.

3. Civil Suit No. 899 of 2005 – We had filed a suit before the Debt Recovery Tribunal (DRT), Ahmedabad in January 2002 against Gujarat Telephone Cables Limited (GTCL) for default on term loans, debentures and working capital provided by us to GTCL. Our exposure as a lender to GTCL was transferred to the Asset Reconstruction Company India Limited (ARCIL) in March 2004. GTCL filed a suit in the Civil Court claiming damages of Rs. 10.03 billion jointly and severally from State Bank of India, Bank of Baroda, United Western Bank, UTI Bank, Bank of India, ARCIL and us. We have filed an application for rejection of the plaint. GTCL had obtained time to file a reply to our application. GTCL filed an application, before the Board for Industrial & Financial Reconstruction, which was rejected. We are continuing the suit on the grounds as mentioned in the plaint. The next date of hearing is June 13, 2007.
4. Industrial Finance Corporation of India Ltd (IFCI) filed a joint suit with erstwhile ICICI Limited and Life insurance Corporation of India (LIC) (being OA no. 128/98) before Debt Recovery Tribunal (DRT), Delhi against Foremost Ceramics and its guarantors for recovery of payable dues. One of the guarantors, Shri H.S.Jalan, has filed a counter claim in DRT, Delhi on October 16, 2001, for an amount of Rs. 4.50 billion jointly and severally against IFCI, LIC and us. The counter claim has been filed on various frivolous grounds, inter alia, not effecting timely disbursements, being made to sign on blank printed documents etc. IFCI has filed a reply denying these averments and stated that the counter claim does not deny the guarantee and the fact that the guarantor is merely trying to avoid liability. IFCI's reply has been adopted by LIC and us. The next date for hearing is July 12, 2007.
5. Civil Suit No. 107 of 1999 – Erstwhile ICICI Ltd had filed an application in the Debt Recovery Tribunal (DRT), Delhi against Esslon Synthetics Limited (ESL) and its managing director (in his capacity as guarantor) for recovery of dues payable to it. The guarantor filed a counter-claim in the year 2001 for an amount of Rs. 1.00 billion against erstwhile ICICI Limited and others. ESL has moved an application for amending the counter-claim in January 2004. We have filed our reply to the application for amendment on March 31, 2004. The matter is pending disposal. The guarantors have filed an interim application to delay proceedings on the ground that certain documents have not been exhibited. We have replied that these documents are neither relevant nor necessary for adjudicating the dispute between the parties. This interim application is pending disposal. The matter is to come up for hearing on July 12, 2007.
6. Erstwhile ICICI Ltd had filed a suit against Punalur Paper Mills Limited (PPL) for recovery of dues in the Bombay High Court (since transferred to Debt Recovery Tribunal (DRT), Mumbai). The loans have been transferred to Kotak Mahindra Bank in September 2004. PPL and its directors have filed a suit against the erstwhile ICICI Ltd and other lenders claiming Rs. 266.9 million as damages, jointly and severally. The suit has been transferred to DRT, Mumbai. We have filed our written statement and served a copy of the same to PPL's advocates. The matter is pending in the DRT in view of PPL's reference which is pending before the Appellate Authority for Industrial & Financial Reconstruction.
7. Civil Suit No. 192 of 2001: We have filed a suit in the Debt Recovery Tribunal (DRT), Baroda against Vision Organics Limited (VOL) for the recovery of Rs. 312.7 million. VOL has filed a counter claim against us for Rs. 230.0 million to which we have filed our replies. An interim application has been filed by the company for the payment/setting off of the main claim based on the counter claim filed by VOL. The same was rejected by the DRT. VOL has preferred an appeal before the Debt Recovery Appellate Tribunal against the said rejection of their application vide M.A. No. 181/2006, which has been admitted, and we have been directed to file a written reply. At the last hearing submissions were made by our advocate. The matter pending before the DRT has been adjourned till July 17, 2007.
8. Civil Suit No. 434 of 2001: The Peerless General Finance & Investment Company Ltd., a debenture holder of Essar Oil Limited, has filed a suit against Essar Oil Limited and others in the High Court, Kolkata for non-receipt of redemption amount and interest of Rs. 112.3 million. We in our capacity as a debenture trustee were named

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as a defendant in this suit. Our written statement along with an application under Order VII Rule 11, Code of Civil Procedure, 1908 to dismiss the plaint has been filed. The suit is pending disposal.

9. Civil Suit No. 1559 of 1998: Kalpana Lamps and Components Limited (KLCL) had availed of financial assistances from us and other lenders. Anchor Electronics and Electricals Limited (AEEL) had paid the outstanding dues to us and other lenders on behalf of KLCL and requested us to assign the securities in their favour. AEEL filed a suit for specific performance. Subsequently, AEEL amended the specific performance suit to a money suit claiming Rs. 106.8 million with interest thereon from us and others and the same is pending before the Bombay High Court. We have filed our written statement. AEEL has filed an application for release of title deeds of KLCL's properties at Ranipet. We have given our no-objection certificate to the above. The other charge holders are yet to give their no-objection certificate for the release. We have received a letter from the office of the Official Liquidator, Chennai that a winding up order has been passed by the Madras High Court in respect of KLCL and that they have taken possession of KLCL's properties. The application filed by AEEL for release of title deeds has been dismissed as withdrawn.
10. A counterclaim has been filed by Hindustan Agrochemicals and five others (OA no. 29/2001 before the Debt Recovery Tribunal (DRT), Jaipur) against IFCL, IDBI, Central Bank of India, Rajasthan Pollution Control Board and us in February 6, 2007. The applicants claim that on account of them being blacklisted by the RBI at the behest of IFCL, IDBI, Central Bank of India and us, their reputation, image and prestige have been adversely affected. Consequently, it is claimed, that the applicants have been deprived of earning their livelihood. The loss in financial terms of the applicants on account of the said blacklisting has been claimed to be Rs. 100.0 million, along with interest at the rate of 18% per annum jointly and severally, against IFCL, IDBI, Central Bank of India and us. The reply to this counterclaim has to be filed on July 25, 2007.
11. Anagram Finance Limited (Anagram), subsequently amalgamated with erstwhile ICICI Ltd had filed a suit (3879 of 1998) in the City Civil Court, Ahmedabad for the recovery of a sum of Rs. 68.3 million from Ezy Slide Fasteners Limited (ESFL). ESFL filed a separate suit (2243 of 1999) in the Civil Court for recovery of Rs. 71.8 million from Anagram, the amount being claimed as the loss suffered by ESFL on account of breach of a subscription agreement it entered into with Anagram.
12. North Star Gems Limited (NSGL) filed a suit (53 of 2003) in the Civil Court, pertaining to an alleged transfer of funds of Rs. 70.0 million from the current account maintained by NSGL with erstwhile Bank of Madura. Our application for dismissal of the suit has been rejected. We have however filed our written statement in the suit. NSGL has filed its affidavit of evidence in the matter. We are now at the stage of cross-examining the opposite party. The next date fixed in the matter is June 16, 2007.
13. O.R.J. Electronic Oxides Limited (ORJ): The erstwhile Bank of Madura (the Bank) granted lease finance of US \$ 7,200,000 (Rs. 257.8 million) to the ORJ on May 22, 1997 for import of capital goods from IPTE, Inc., USA.
 - Based on Directorate of Revenue Intelligence (DRI) Report: The Commissioner of Customs initiated proceedings and imposed a fine of Rs.10.0 million on us. The same has been remanded by the Central Excise and Service Tax Appellate Tribunal (CESTAT) to another Commissioner of Customs for De Nova adjudication.

The Commissioner of Customs, Tuticorin, without making fresh adjudication passed an order dated September 28, 2006 (received by us on November 2, 2006) based on the earlier DRI's investigation report and the documents mentioned therein. The commissioner has held that both ORJ and we are the joint importers of machinery and willfully and collusively misdeclared the value and the description of worthless capita goods of Indian origin to the customs authorities. Hence he has directed -

- a. payment of customs duty of Rs. 128,661,198.00 payable by ORJ and us jointly and severally;
- b. to redeem confiscated goods on payment of fine of Rs. 0.1 million jointly and severally by ORJ and us;
- c. penalty of Rs. 50.0 million payable by us;
- d. penalty of Rs. 50.0 million payable by ORJ; and
- e. payment of a penalty of Rs.10.0 million by Late N. M. Parthasarathy, Chairman and Managing Director, M/s ETK International Ferrites Limited, Ranipet, Tamil Nadu.

We filed an appeal No.C/PD/326/06 before CESTAT on December 4, 2006. We have also filed an application No.C/Apl.516/06 for an interim stay and the waiver of deposits. CESTAT after hearing the arguments of our senior counsel at length granted waiver of deposit of both the fine and the customs duty of Rs.180.0 million and interim stay of the above order on March 5, 2007.

- Based on DRI's Report: The Joint Commissioner of Income Tax, Special Range III, Chennai by its order dated February 28, 2001 disallowed the depreciation on the lease finance amount of Rs. 257.8 million thereby called upon us to pay arrears of income tax for a sum of Rs.158.3 million. This order was confirmed by the Commissioner of Income Tax, (Appeals) and against which we filed an appeal before the Income Tax Appellate Tribunal and the same is pending.
- The Enforcement Directorate (ED) issued a prohibitory order to us to freeze the Foreign Currency Non Resident (FCNR) Deposit of IPTE, placed in the name of M/s ETKIF, America for Rs. 20.0 million during the year 2000. RBI also issued directions to us to remit the proceeds to the Directorate of Enforcement under Section 11 of FEMA. We have replied to both the ED and RBI that since an income tax liability is crystallized for Rs. 158.3 million against us, we have exercised a lien on the deposits of IPTE. We have also met RBI officials in the personal hearing given to us and made our submissions. RBI has since passed an order accepting our contentions and advised us to clarify the position to Enforcement Directorate and hence a detailed letter has been sent in consultation with our senior counsel. However RBI has sought certain clarifications, which have been provided.

Sundaram Finance filed an application No. 2035 of 2007 before High Court, Madras in the arbitration proceedings initiated against ETK Softek Private Limited and obtained pro-order dated February 23, 2007 against deposits held by us in the name of ETKIF America Inc and ETKIF Export Consultants. We entered appearance through our advocate in the above application. The FCNR deposits held by us in the name of ETKIF America Inc have already been lien marked in our favour for the income tax liability and Sundaram Finance has no locus standi to claim the deposits in the name of ETKIF America Inc and hence this pro-order will be set aside.

Criminal Cases Against Us

1. A criminal complaint (1648 of 2001) was filed against us by Mr. Rajiv Agarwal before the Chief Judicial Magistrate, Jaipur impleading amongst others, our then Managing Director and CEO, Mr. H. N. Sinor. The reason for Mr. Agarwal filing the case involved dishonour of a cheque which he had issued and which had been returned unpaid at Calcutta as the cheque was not drawn on the correct branch. By an order dated September 13, 2001 the Chief Judicial Magistrate took cognizance of the said complaint and directed issuance of summons to all the accused. On November 21, 2001, Mr. Apoorv Ghosalpuria, then branch manager of our Jaipur branch was granted bail as he was present in court, however, the Chief Judicial Magistrate, Jaipur directed that another accused Mr.K.Ravi, erstwhile branch manager of our Jaipur branch be summoned by a bailable warrant. ICICI Bank approached the Jaipur bench of the High Court of Rajasthan ("High Court") with a criminal revision petition (15 of 2002) for quashing the criminal complaint. The High Court by an order dated January 9, 2002 stayed the proceedings before the Chief Judicial Magistrate, Jaipur until a final decision was reached in the revision petition filed before it. The stay order has the effect of also staying arrest warrants, if any, issued by the Chief Judicial Magistrate, Jaipur. On July 18, 2005, vide an ex-parte order, the High Court vacated the above-referred stay order dated January 9, 2002. We then filed a miscellaneous petition before the High Court against the lifting of the stay as aforesaid and pursuant to our averments in this regard the High Court reinstated the stay order dated January 9, 2002 vide an order dated October 20, 2005. Mr. Agarwal then filed an application for lifting of the stay granted as aforesaid. The said application by Mr. Agarwal has however been dismissed by the High Court. As a result, the stay that was granted by the High Court on January 9, 2002 continues to be operative and in effect. The revision petition filed by us to quash the criminal complaint has been listed for hearing on August 21, 2007 before the High Court.
2. Five criminal complaints (9419/S/2002 to 9423/S/2002) were filed against us before the 39th Court of Presidency Metropolitan Magistrate at Mumbai by the Municipal Corporation of Greater Mumbai (BMC) for violation of Section 471 of the BMC Act read with Section 328-A thereof on grounds of non-payment of licence fees for the illuminated signboards at our ATM centres. We have filed a writ petition (2377 of 2002) in the Bombay High Court challenging the applicability of the provisions of Sections 328 & 328-A of the BMC Act in respect of the ATM centres. The writ petition was dismissed. In appeal, we have filed a special leave petition (24215 of 2002) (SLP) in the Supreme Court. The Supreme Court has granted a stay against all prosecutions and proceedings by

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BMC in this regard. The Metropolitan Magistrate stayed the proceedings before it till the final disposal of SLP. On August 4, 2005 the Supreme Court passed the order with a finding that putting of the ATM Board by us does not fall under the category of sky sign under Section 328, but the Supreme Court has given liberty to BMC to consider whether the said issue falls under the category of advertisement under Section 328-A, and issue fresh notice before the hearing. We have submitted a copy of the Supreme Court order to the Magistrate and prayed for the dismissal of the complaints and an order is awaited in this matter now.

The BMC had also filed two similar complaints (88/M/2003 and 89/M/2003) before the 27th Court of Presidency Metropolitan Magistrate at Mumbai, against us. We have submitted a copy of the Supreme Court order to the Magistrate and prayed for the dismissal of the complaints and hearing for this matter is fixed for July 6, 2007.

3. Two criminal complaints (2415/S/2003 and 2416/S/2003) were filed by Inspectors, Security Guards Board, Greater Bombay & Thane District, in the year 2000 against us before the Metropolitan Magistrate, Mumbai, under the Maharashtra Private Security Guards Act, 1981, on the grounds that security guards have been engaged from unexempted security agencies. We have taken a stand that the exemption of security agencies continued on account of a previous High Court Order in the writ petition filed by certain security agencies. The complaints are pending disposal. A Revision Petition has been filed in the Session Court for quashing of the complaint and which has been admitted, and the proceedings of the complaints have been stayed till further orders. The matter is to come up for hearing on June 19, 2007 in the Metropolitan Magistrate's Court whereas the revision application shall come up for hearing before the Sessions Court on June 22, 2007.
4. Two criminal complaints (2347/S/2003 and 2349/S/2003) were filed by Inspectors, Security Guards Board, Greater Bombay & Thane District, in the year 2001 against us before the Metropolitan Magistrate, Mumbai, under the Maharashtra Private Security Guards Act, 1981 on the grounds that security guards have been engaged from unexempted security agencies. We have replied stating that the Security Guards were deployed on trial basis and are being replaced by Armed Guards. The complaints are pending disposal. Revision petition has been filed in the Session Court for quashing of the complaint and which has been admitted, and the proceedings of the complaints have been stayed till further orders. Matter to come up for hearing on June 19, 2007 in the Metropolitan Magistrate's Court whereas the Revision Application shall come up for hearing before the Sessions Court on June 22, 2007.
5. Based on the investigation of Directorate of Revenue Intelligence (DRI), CBI investigated into the allegations of criminal conspiracy, cheating etc., against us and our officials, also against M/s Sundaram Finance Limited and its officials, and also against ORJ Electronics and Oxide Limited and the importer (IPTE Inc., USA). A chargesheet has been filed by CBI before the Chief Metropolitan Magistrate, Egmore against all the persons concerned in Criminal Case No. 5 of 2004 M/s Sundaram Finance Limited filed a CrI.O.P.No.22976 of 2004 before the High Court, Madras and sought for quashing of the above criminal proceedings. An interim stay was granted by the High Court in CrI.M.P.No.7436 of 2004 on the criminal proceedings pending on the file of the Chief Metropolitan Magistrate, Chennai. However all the cases are being reposted.
6. Based on DRI's report, the Enforcement Directorate initiated proceedings against us and our officials for aiding and abetting the importer company (O.R.J. Electronics Oxides Ltd) in acquiring foreign exchange to the tune of US\$ 7.2 million and imposed a fine of Rs. 1.0 million on us. We have filed an appeal No. 496 of 2004 against this order, before the Appellate Tribunal for Foreign Exchange Regulation Act (FERA), Delhi and have obtained an interim stay on the condition of deposit of 50.0% of the fine imposed. Against this order of conditional stay we filed a writ petition in High Court, Madras and obtained an interim stay. The appeal before FERA Appellate Tribunal, Delhi was posted on February 27, 2006 and our advocate argued that since the interim stay had been granted by the High Court, Madras the appellate tribunal should not proceed further in the matter. Considering our arguments the appellate tribunal adjourned the appeal and advised us to inform the outcome of the writ petition.
7. Three criminal complaints (2412/S/2003, 2413/S/2003 and 2414/S/2003) were filed by Inspectors, Security Guards Board, Greater Bombay & Thane District, in the year 2000 against erstwhile ICICI Ltd and Mr. K. V. Kamath, our Managing Director, before the Metropolitan Magistrate, Mumbai, under the Maharashtra Private Security Guards Act, 1981 on the grounds that security guards were engaged from exempted security agencies even though ICICI was registered with the Security Guards' Board. The earlier notices in this regard were replied to stating that registration is only in respect of residential quarters for employees and not in respect of other establishments. Revision petition has been filed in the Session Court for quashing of the complaint and which

has been admitted and the proceedings of the complaints have been stayed till further orders. Matter to come up for hearing on June 19, 2007 in the Metropolitan Magistrate's Court whereas the Revision Application shall come up for hearing before the Sessions Court on June 22, 2007.

8. A case has been filed (no. 35 of 2006) by P. A. More, Inspector S & E, in the Court of the Additional Chief Metropolitan Magistrate, Mumbai against us, Mr. K. V. Kamath and other working directors for non renewal of license of the Capital Markets Branch, Fort, Mumbai, under the Bombay Shops & Establishments Act, 1958. By an order dated November 20, 2006 the application filed for dropping of summons and discharge of our directors was rejected against which a revision application was filed in the Sessions Court vide application no. 1380 of 2006 wherein the Session Court has passed an interim order dated December 13, 2006 in our favour and our directors granting stay on further proceedings till the revision application is finally disposed off. The next date fixed in the Sessions Court is June 13, 2007, whereas in the Metropolitan Magistrate Court it is June 11, 2007.
9. We have filed a criminal complaint against a Direct Selling Agent (DSA) and his associates for cheating and defrauding us. Ajatshatru Mishra, an associate of the DSA, has filed a counter complaint bearing no.2858/2006 (u/s 323, 341, 506 r/w 34 IPC) against Rasmi Ranjan Swain, Viresh Sharma, us and Mr. K. V. Kamath in the Court of Judicial Magistrate, Bhubaneswar. The court has passed an order u/s. 156(3) of Code of Criminal Procedure (CrPC) and the same is pending for investigation. The Crime Branch, Bhubaneswar has taken up the matter for investigation and the statement of the complainant as well as the witness have been recorded. The police is yet to submit a final report in the court.
10. Mr. Tapan Bose, a defaulting customer whose vehicle (given as security us) was repossessed had filed a complaint with the relevant authorities consequent to which an FIR has been registered by the police. The said customer has made an application to the Chief Metropolitan Magistrate under section 156(3) of CrPC seeking directions from the court for police investigation against us and our directors Mr. Narayan Vaghul, Mr. K. V. Kamath, Ms. Kalpana Morparia, Ms. Chanda Kochhar, Dr. Nachiket Mor and Mr. V.Vaidyanathan. Pursuant to the same the police have been directed to file their report on April 25, 2007. We are co-operating with the police investigation, as required. The matter shall come for hearing on July 6, 2007.
11. Mr. Pravin Deshmukh, a customer moved a Criminal application on March 26, 2007 under Section 156 (3) of CrPC before the Judicial Magistrate First Class (JMFC), Court, Nagpur against us, Mr. K V Kamath and others. Till date, we have not received any official communication about the order from the court or the police. We have verified the records of the court and it has come to its knowledge, that an order has been passed by the JMFC Court directing the concerned police to investigate the said case and submit a report, without arrest of any of our officials without prior permission of the court. We are co-operating with the police investigation, as required.
12. Shri Durgeshwar Deka has filed a criminal complaint against us in May 2006 before the Court of the Chief Judicial Magistrate, Kamrup at Guwahati bearing CC No 4540 of 2006. The complainant had purchased a car from a dealer in Guwahati. We were the financing bank. The complainant alleged that he was being charged EMI at the rate of Rs 6,900 per month whereas the amount that was agreed upon was Rs 6,177 per month. The complainant alleged that the bank statement showed the financed amount to be Rs 216,000 whereas the actual financed amount was Rs 198,000. We have filed a criminal revision petition bearing no 141 of 2006 before the Guwahati High Court. The High court has passed an order stating that the proceedings in the lower court be stayed till disposal of the criminal revision filed by us is disposed off.
13. The complainant Shri Sheo Kumar Khemani has filed a criminal case impleading the branch manager, Patna, cashier of the branch and also us as a party before the JMFC, Patna, CC No 286(C)/04 alleging that he had deposited Rs.230,000 in cash at the counter of the branch to be credited in his account maintained with us, and only an amount of Rs. 130,000 has been deposited. However, on investigation, it was ascertained that he had deposited Rs. 130,000 only and is fraudulently trying to extract money from the Bank. We have filed our reply before the Learned Court and matter is fixed on June 18, 2007 for producing evidence by the complainant.
14. Two criminal complaints (CC No1212/2005 & 1927/2005) have been filed by the relevant authorities under the Apprenticeship Act, 1961 against us and certain of our officials for not hiring 8 apprentices at Vallabh Vidyanagar and Baroda branches under the said Act, in the court of the Judicial Magistrate, Vadodara. We are in the process of filing our replies. The Complaints are pending for disposal.

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Show Cause Notices and Penalties Against Us:

1. We have received show cause notices in the matter of alleged excise duty evasion to the extent of Rs. 14.8 million by Bannari Amman Sugars Limited (BASL), Rs. 19.6 million by Triveni Engineering Company Limited (TECL), and Rs. 13.1 million by Balrampur Chini Mills Limited (BCML) in respect of the equipments purchased for their project funded by us under Asian Development Bank (ADB) / World Bank line of credit. BASL, TECL and BCML have paid the duty under protest and sought refund thereof. We have filed replies through our advocates showing cause as to why the penalty is not payable and have sought personal hearing. We are awaiting hearing of the matter.

On January 25, 2007 the Assistant Commissioner of Central Excise, Kolkata passed an order and imposed a fine of Rs. 0.19 million on us in respect of the case of BCML. We have filed an appeal before the Commissioner of Central Excise (Appeals), Kolkata. The appeal is pending for hearing.

2. We have received show cause notices in the matter of alleged customs duty evasion to the extent of Rs. 39.0 million by Jaypee Cements Ltd (JCL), Rs. 42.5 million by Orient Ceramics & Industries Ltd. (OCIL), Rs. 4.7 million by Balarampur Chini Mills Limited (BCML), in respect of the equipments purchased for their project funded by us under ADB line of credit. We have filed our replies through our advocates showing cause as to why the penalty is not payable by us and have sought a personal hearing. We are awaiting hearing of the matter.

Pursuant to the show cause notice in the case of Rashtriya Chemicals & Fertilizers Ltd (RCF), on December 15, 2005 the Commissioner of Customs (Import) passed an order and imposed the penalty of Rs. 5.0 million on us. We have filed an appeal before the Customs, Central Excise and Service Tax Appellate Tribunal and on November 10, 2006 a stay has been granted against recovery and waiver of predeposit of Rs. 5.0 million. Final hearing of the appeal is pending.

On April 21, 2006 the Commissioner of Customs (Import) passed an order and imposed the penalty of Rs. 20.0 million on us in respect of the case of Madras Aluminium Company Ltd (MALCO). We have filed an appeal before the Customs, Central Excise and Service Tax Appellate Tribunal (CESTAT). The Appellate authority has observed that, prima facie the penalty on us is on the higher side and directed us to deposit Rs. 2.0 million. We filed a writ petition in Madras High Court challenging this order and stay was granted in our favour on January 19, 2007 against the predeposit and this was made absolute on March 21, 2007. The CESTAT appeal was on April 20, 2007, which has now been adjourned to June 2007.

On September 29, 2006 the Commissioner of Customs (Import) passed an order and imposed the penalty of Rs. 1.0 million on us in respect of the case of Jindal Steel & Power Ltd. We have filed an appeal before the Customs, Central Excise and Service Tax Appellate Tribunal. On January 8, 2007, a stay against the recovery and the waiver of the pre-deposit of Rs. 1.0 million was granted. Final hearing of the appeal is pending.

3. We have received a show cause notice dated January 31, 2005 from RBI in relation to M/s Anand Agencies, wherein we were called upon to show why proceedings should not be initiated against us for non-adherence to RBI directions on the procedure for return/dispatch of dishonoured cheques, and why a monetary penalty of Rs. 0.5 million should not be imposed on us. Our position was explained to RBI and a written submission was also made.
4. We had sanctioned an External Commercial Borrowing (ECB) facility to a customer on February 5, 2004 from our Singapore Branch. It was observed by RBI that since the customer was engaged in the retail sector, the sanction of the ECB facility was not in compliance with the guidelines of RBI dated January 31, 2004. RBI had observed that, as per these guidelines, ECB could be sanctioned only to customers who were engaged in the real sector comprising of the industrial and especially the infrastructure sector in India. Accordingly, RBI issued a show cause notice on June 22, 2006, to us for non-compliance with the extant rules/regulations/directions under the Foreign Exchange Management, Act 1999. We had submitted our detailed response to the show cause notice vide a letter dated June 30, 2006 stating that the sanction of the facility was undertaken, as we understood that the retail sector fell under the category of the real sector and that the real estate sector was the only ineligible sector as per the guidelines. Certain additional information was also submitted to RBI. Subsequently, we made an oral submission to the Executive Director of RBI on August 4, 2006 explaining our earlier submissions in detail. RBI has advised that the guidelines issued by RBI be adhered to both in letter and spirit, and the lapses do not recur.

5. Pursuant to reports received from the SEBI, RBI had conducted a scrutiny with regard to certain accounts across various banks including us. Based on the scrutiny conducted, RBI had issued a show cause notice dated December 29, 2005 to seven banks including us. In the show cause notice issued to us, RBI observed that we had violated the RBI directions, instructions and guidelines relating to opening of accounts, monitoring of transactions and non-adherence to normal banking practices. We submitted our detailed response to RBI, which was followed by an oral submission, stating that the RBI regulations had been adhered to and that normal banking practices had been followed. After considering the submissions of the seven banks, RBI had imposed penalty on these banks ranging from Rs. 0.5 million to Rs. 2.0 million. A penalty of Rs. 0.5 million was imposed on us by RBI, vide its communication dated January 23, 2006. The steps taken by RBI against the banks are aimed at strengthening the country's banking system and ensuring that instances of misuse of the banking system by certain individuals, seeking to manipulate capital market processes are prevented. We have paid the penalty of Rs. 0.5 million.
6. The Securities and Futures Commission of Hong Kong ("SFC") had filed charges against us for carrying on the business of dealing in securities in Hong Kong between June 15, 2004 and March 8, 2006, without having a license to do so. We had accepted the charges without contesting and had submitted our mitigation statement before the court. The Eastern Magistrate's Court, Hong Kong, consequently fined us a sum of Hong Kong Dollar 40,000.00 and ordered us to further reimburse prosecution costs of Hong Kong Dollar 54,860.00 to the SFC. We have paid the said amounts. The contravention was limited to a small segment of the branch's business in Hong Kong and has not resulted in any loss either to our customers or to us. We have, based on the findings of an internal review conducted upon the discovery of this incident in April 2006, taken appropriate staff accountability actions against the relevant staff whose conduct resulted in the contravention. We have since then implemented significant measures to strengthen the compliance, monitoring and control functions at the Hong Kong branch, which included bringing in a new management team.
7. The Securities and Exchange Board of India (SEBI) issued a notice to us in connection with matters pertaining to erstwhile Bank of Madura's Bhadra, Ahmedabad branch, asking to show cause as to why the said branch should not be suspended from conducting merchant banking activities for a period of six months. SEBI stated that there were irregularities in fiscal 1996 in the operations of the account of North Star Gems Limited with this branch. A detailed reply was filed with SEBI in this regard. SEBI vide order dated October 16, 2002 issued a warning to the Bhadra, Ahmedabad branch with a further direction to that branch to act with due skill, care and diligence while acting as banker to an issue. SEBI noted that we had taken appropriate disciplinary action against the concerned employees. SEBI further noted that inspection by the Reserve Bank of India did not indicate mala fide actions on the part of our officials. In view of the same, SEBI concluded that the aforesaid warning would suffice as sufficient action against the branch.
8. Ms. Nivedita Sharma has filed a consumer complaint before the State Consumer Disputes Redressal Commission, Delhi against us, Bharti Televenture and American Express (Opposite Parties) (CC No. 09/06). She has alleged that we and American Express have purchased the confidential information pertaining to her and other subscribers from Bharti Televenture and other mobile service providers indulging in tele-marketing activities leading to invasion of her right to privacy under Article 21 of Constitution. She had claimed compensation to the tune of Rs. 3.45 million from the Opposite Parties (claim against us is Rs. 1.15 million). Cellular Operators Association of India (COAI) also got impleaded as a party in this matter. We took a preliminary objection stating that she is not a "Consumer" of the Bank, as provided for in the Consumer Protection Act, as she has not been provided any services by us. Further, we have denied purchasing any such confidential information of the subscribers. The final hearing in this matter was held on November 27, 2006 and the final orders were reserved. On January 15, 2007, the Commission came out with a Press Note and subsequent to that, we have obtained a copy of the final order dated December 26, 2006, whereby the penalty of Rs. 2.5 million has been jointly imposed upon ICICI Bank & American Express (our share Rs. 1.25 million) and Rs. 5 million against Bharti Televenture & COAI. Also, a compensation of Rs. 0.05 million has been granted in favour of the Complainant, to be shared equally by all the four parties (our share Rs. 0.012 million). We have filed a writ petition challenging the order which is pending before the Delhi High Court.
9. A show cause notice was issued on 21.09.06 (MP/ SRO/ UJN/ 3023/ Compliance/ 757), by the Employees' Provident Fund Organization (EPFO) to us under Section 8F(3)(x) of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952, regarding the account in name of M/s G.G. Automotive Gears Private Limited (establishment) for the recovery of Provident Fund dues from the establishment amounting to Rs. 0.29 million.

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We did not have any account in the name of the establishment. The branch has replied to the EPFO intimating it of the same.

10. Under the various labour and other relevant laws concerning premises and employees, the Bank and/or its executive Directors have received show cause notices (from the relevant authorities under such laws) for non compliance like maintaining registers, exhibiting notices in local languages, submitting reports etc, all of which have been duly replied to, reporting post facto compliance and seeking condonation of the same. Legal cases arising out of such notices are shown separately.

Year	Number of notices issued in the name of the Bank (number of such notices where any of the executive Directors of the Bank are named in addition to the Bank are given in brackets)
2002-2003	11 (4)
2003-2004	14 (6)
2004-2005	21 (7)
2005-2006	65 (14)
2006-2007	70 (6)
2007-2008 (upto May 31, 2007)	12 (4)

Investigations Against Us:

1. M.S. Pandit filed a Case no. C-147/2006/DGIR before the Monopolies and Restrictive Trade Practices Commission, on November 7, 2006. The Complainant, M.S. Pandit, held a credit card issued by us against which he made purchases from M/s Arihant Colour Lab for the amount of Rs. 11,959 While processing the amounts to be recovered, he agreed to pay the EMI at the processing charge of 1%, to be calculated after deducting one EMI in advance from the total purchases. Although the complainant did not initially raise any objections as to this, he subsequently complained of unfair trade practices. We have replied to this complaint. Thereafter, the complainant sought to examine the basis on which we charged him the EMI without his consent. On this issue, the Monopolies and Restrictive Trade Practices Commission has issued the a raising certain questions. We have not replied to this query.

Cases Against Our Directors:

I Civil Claims Against Directors:

1. A suit (no. 3189 of 2003) was filed against Mr. K. V. Kamath, our Managing Director by Mardia Chemicals Ltd (MCL) in the City Civil Court at Ahmedabad for a purported amount of Rs. 56.31 billion. An application has been filed for the dismissal of the suit on the grounds of limitation, jurisdiction and no cause of action against Mr. K.V. Kamath. The court has ordered notice to the Official Liquidator (OL) and the reply is awaited from the OL. The matter was listed on December 20, 2006, for ascertaining the position of service of notice on the Official Liquidator of MCL. It is found that the notice has been served on the Official Liquidator, but the Official Liquidator has not entered its appearance. At the hearing on April 04, 2007, the Court sent back the matter before the Registry and the Registrar shall now place the matter before another court in due course.

II Criminal Cases Against Directors

1. A criminal complaint (64 of 2002) was filed against 36 individuals including Mr. K. V. Kamath before the Court of the Chief Metropolitan Magistrate, Patiala House, New Delhi by Mr. M. M. Sehgal, the promoter of Sehgal Papers Limited (SPL). We, as part of a consortium of lenders, led with IFCI Limited (IFCI) as the lead institution, had extended financial assistance to SPL. No summons has been issued to us so far. The matter is at the stage of pre-summoning evidence before Patiala House. Only one witness has been examined as of now. The matter is posted for hearing on August 3, 2007.
2. A criminal complaint was filed on May 5, 2002 before the Judicial Magistrate First Class (Judge), Bhiwandi by Sheikh Mohd. Khalid Munnavar a car insurance policy holder, for the alleged non-cognizable offences of criminal intimidation etc., against three officers of ICICI Lombard. Mr. K. V. Kamath, our Managing Director, has also been named as an accused in the criminal complaint (No. 2887 of 2002) describing him as one of the officers of ICICI Lombard. The complaint alleged that all four officers conspired in committing the offences. Mr. K. V. Kamath is a non-executive director on the board of ICICI Lombard. A writ petition was filed before the Mumbai High Court seeking quashing of the criminal complaint on various grounds. The

High Court passed an order, staying the proceedings before the Judge, Bhiwandi. Thereafter summons were issued against the officers, including Mr. K.V. Kamath. This order of the issuance was accordingly challenged by way of a writ petition in the Bombay High Court. The Bombay High Court has stayed further hearing of the case and the said writ petition will now be listed for hearing and final disposing in its usual course. On December 22, 2006 the above petition reached hearing and the counsel for the state appeared and requested for time since the Non Cognizable (N.C.) register maintained by the Bhiwandi Police Station as called for by the Honourable High Court was awaited. After hearing and recording the assurance given by the counsel for the state to produce the N.C. Register within three weeks, High Court fixed the above petition for hearing on January 24, 2007. However the matter was not heard on the said date and is now up for hearing in the normal course.

3. Vijay Shankar Prasad, as a debenture holder of Lloyds Finance & Investment Company Limited (LFICL), had filed a criminal complaint (Case No. – 2064I of 2000) for non-receipt of interest and redemption amount from the aforesaid company, in the Court of Chief Judicial Magistrate, Patna (CJM). As we are acting as trustees, he has inter alia, impleaded Mr. K. V. Kamath. The CJM court had taken cognizance of the offence and issued summons for appearance. The next date for hearing for the criminal complaint is on August 13, 2007. Aggrieved by such direction, a criminal revision application was filed before the Sessions Judge, Patna. Upon hearing, the revision application was admitted and directions were issued staying the proceedings before CJM court and records were also called from the lower court. However, the company has since paid the outstanding dues of the debenture holder and to this effect a Memorandum of Understanding (MOU) has also been executed between the complainant and the company. The Sessions Judge, Patna has called for the lower Court Records in the Criminal Revision Application No. 754/2001. Matter was partly heard on May 3, 2007 and was concluded on May 11, 2007. The matter is fixed for judgment on June 18, 2007.
4. Madan Gopal as a debenture holder of Modern Denim Limited (MDL) had filed a criminal complaint (Case No. – 2175I of 2001) for non-receipt of interest and redemption amount from the aforesaid company, in the Court of Chief Judicial Magistrate, Patna (CJM). As we are acting as a trustee, he has inter alia, impleaded Mr. Narayan Vaghul, our Chairman. The CJM court had taken cognizance of the offence and issued summons for appearance. Aggrieved by such direction, a criminal revision application was filed before the Sessions Judge, Patna. The next date of hearing for the criminal complaint is on August 9, 2007. Upon hearing, the revision application was admitted and directions were issued for staying the proceedings before CJM court and records were also called from the lower court. However, the company has since paid the outstanding dues of the debenture holder and to this effect a Memorandum of Understanding (MOU) has also been executed between the complainant and the Company. We have filed an application enclosing a copy of the MOU before the Sessions Judge for quashing of the proceedings. Hearing in the matter is continuing. The Sessions Judge, Patna has called for the lower Court Records in the Criminal Revision Application No. 640/2006. Hearing of the criminal revision was concluded on April 12, 2007 and the matter was fixed on April 25, 2007 for judgement when the Criminal Revision filed by us was allowed stating that issuance of summons against Mr. Vaghul has been reversed. We have obtained the certified copy of the Order and shall file the same before the lower court for disposal of the matter against Mr. Vaghul.
5. Binay Kumar one of the debenture holders of Modern Denim Limited (MDL) had filed a criminal complaint (Case No. – 795 (C) of 2001) for non receipt of interest and redemption amount against the aforesaid company, in the Court of Chief Judicial Magistrate, Patna (CJM). We are acting as a trustee. The complainant has inter alia, impleaded Mr. Narayan Vaghul, our Chairman. The trial court had taken cognizance of the offence and issued non-bailable warrant of arrest. Aggrieved by such direction, a criminal revision application was filed before the Sessions Judge, Patna (Case No. 640 of 2006). Upon hearing, the revision application was admitted and directions were passed against execution of warrant of arrest and the matter was transferred to the Court of 7th Additional Sessions Judge, Patna for disposal. However, the company has since paid the outstanding dues of the debenture holder and to this effect a Memorandum of Understanding (MOU) has also been executed between the complainant and the company on September 30, 2003. The hearing of the revision application has been fixed on June 18, 2007. We have filed quashing proceedings before the High Court, Patna for quashing the entire criminal proceedings of Complaint Case No. 795 (C) of 2001 against Mr. Vaghul. The matter has not been taken up for hearing by the court.
6. Giridharilal Bishambardas Nayyar, Managing Director of Vishwa Electronics (I) Ltd has filed a criminal complaint in the year 2002 before the Chief Judicial Magistrate (CJM), Ahmednagar against IDBI, their 16 directors (which includes Mr. Narayan Vaghul, our Chairman) and their three officers. The complaint in short alleges that IDBI did not disburse the full amount of loan, as well as made misrepresentation about sanctioning the loan in participation with IFCI, IDBI has filed a recovery suit against the company in 2000.

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None of the accused has been served with the notice from the court. The CJM has issued bailable warrants (setting the bail for Rs. 500.00) against all the accused on December 5, 2005. A revision petition has been filed in the Session Court, which has stayed the bailable warrant. The Court got vacated in January 2007; hence the case is pending disposal. The next date of hearing had been set for February 16, 2007, however the presiding judge was not appointed. The next date has not yet been listed.

7. Three criminal complaints (2412/S/2003, 2413/S/2003 and 2414/S/2003) were filed by Inspectors, Security Guards Board, Greater Bombay & Thane District, in the year 2000 against erstwhile ICICI Ltd and Mr. K.V. Kamath, our Managing Director, before the Metropolitan Magistrate, Mumbai, under the Maharashtra Private Security Guards Act, 1981 on the grounds that security guards were engaged from exempted security agencies even though ICICI was registered with the Security Guards' Board. The earlier notices in this regard were replied to stating that registration is only in respect of residential quarters for employees and not in respect of other establishments. Revision petition has been filed in the Session Court for quashing of the complaint and which has been admitted and the proceedings of the complaints have been stayed till further orders. Matter to come up for hearing on June 19, 2007 in the Metropolitan Magistrate's Court whereas the revision application came up for hearing before the Sessions Court on June 22, 2007.
8. Our Ranchi branch received a notice from Regional Labour Commissioner, Ranchi on September 25, 2004 stating that we had not registered as Principal Employer under Contract Labour (Regulation & Abolition) Act 1970 with the Regional Labour Commissioner (Central) Ranchi impleading Ms. Chanda Kochhar, our Deputy Managing Director and two of our employees. We replied stating that for all our branches/offices/establishment in the eastern part of India, our Kolkata office of has obtained a Registration Certificate. Hence, we claimed that there was no need of taking separate registration certificate for the Ranchi branch. Ranchi branch also submitted a copy of the registration certificate. However, Assistant Labour Commissioner Ranchi, proceeded with filing of criminal case inter alia against Ms. Chanda Kochhar in the court of Chief Judicial Magistrate, Ranchi. Application under section 482 of CrPC has already been filed before Ranchi High Court for quashing of the proceedings in the lower court matter. The court has granted stay on the proceedings.
9. Surendra Dutta has filed a criminal complaint (FIR I III dated April 9, 2001) against Mr. K. V. Kamath, our Managing Director and others, before Rajpura City Police Station, Chandigarh for alleged offence of car booking by forging his signature during 1995 by certain officers of erstwhile Anagram Finance Ltd (AFL). We have made submissions to DIG, Patiala that our directors cannot be proceeded against for an alleged offence committed by AFL in 1995 as AFL was taken over by erstwhile ICICI Ltd in 1998. The DIG Patiala having been convinced has directed investigating officer of Rajpura Police Station not to proceed in the matter without explaining entire details to him. The matter is pending before the Investigating Officer for the purpose of investigation. However, files relating to the same are not traceable and hence the matter is not being proceeded with.
10. A case has been filed (no. 35 of 2006) by P. A. More, Inspector S & E, in the Court of the Additional Chief Metropolitan Magistrate, Mumbai against us and our Directors, Mr. K.V.Kamath, Ms. Kalpana Morparia, Ms. Chanda Kochhar and Dr. Nachiket Mor for non renewal of license of the Capital Markets Branch, Fort, Mumbai, under the Bombay Shops & Establishments Act, 1958. By an order dated November 20, 2006 the application filed for dropping of summons and discharge of our directors was rejected against which a revision application was filed in the Sessions Court vide application no. 1380 of 2006 wherein the Session Court has passed an interim order dated December 13, 2006 in our favour and our directors, granting stay on further proceedings till the revision application is finally disposed off. The next date fixed in the Sessions Court is June 13, 2007, whereas in the Metropolitan Magistrate Court is June 11, 2007.
11. We had filed a criminal complaint against the Direct Sales Agent (DSA) and his associates for cheating and defrauding us. Ajatshatru Mishra, an associate of the DSA, has filed a counter complaint bearing no.2858/2006 (u/s 323, 341, 506 r/w 34 IPC) against Rasmi Ranjan Swain, Viresh Sharma, Mr. K. V. Kamath and us in the Court of Judicial Magistrate, Bhubaneshwar. The court has passed an order u/s. 156(3) of CrPC and the same is pending for investigation. The Crime Branch, Bhubaneshwar has taken up the matter for investigation and the statement of the complainant as well as the witness have been recorded. The police is yet to submit a final report in the court.
12. Shri Ram Lal filed a complaint with Station House Officer (SHO), Mandawa Delhi against, inter alia, Mr. K. V. Kamath. The complainant has been sanctioned a loan of Rs. 85,000.00. However, an amount of Rs. 64,145.00 has been paid in cheques and the balance has been paid in cash against receipt. The complainant states that we have manufactured the said receipt. The complaint further states inter alia that the Equated Monthly Installments (EMIs) of Rs. 5,855.00 were to start from October 7, 2004 to January 7,

2006, however, 18 post dated cheques have been taken by us in advance. Further that the rate of interest as was informed to the complainant by the officer of the bank was lesser but the rate of interest is being charged at the rate of 14.1%. The complainant has further alleged that he has suffered a loss of Rs. 40,000.00 or more on account of commission or omission by us. The complaint was initially not registered by the SHO. He then filed a complaint with the Commissioner of Police as also with RBI. Lastly, the complainant has moved the Additional Chief Metropolitan Magistrate (ACMM) for seeking directions to register a First Information Report (FIR). The ACMM directed the SHO to register the FIR, which has since been registered as FIR No. 50 of 2007 dated January 22, 2007. We are in the process of moving the High Court for quashing FIR U/S 482 CRPC.

13. Mr. Tapan Bose, a defaulting customer whose vehicle (given as security to us) was repossessed had filed a complaint with the relevant authorities consequent to which an FIR has been registered by the police. The said customer has made an application to the Chief Metropolitan Magistrate under section 156(3) of CrPC seeking directions from the Court for Police investigation against us, Mr. Narayan Vaghul, Mr. K. V. Kamath, Ms. Kalpana Morparia, Ms. Chanda Kochhar, Dr. Nachiket Mor, and Mr. V. Vaidyanathan. Pursuant to the same the police have been directed to file their report on April 25, 2007. We are co-operating with the police investigation, as required. The matter shall come up for hearing on July 6, 2007.
14. Mr. Pravin Deshmukh, a customer moved a Criminal application on March 26, 2007 under Section 156 (3) of CrPC before the Judicial Magistrate First Class (JMFC), Court, Nagpur against us, Mr. K V Kamath and others. Until date, we have not received any official communication about the order from the Court or the Police. We have verified the records of the court and it has come to our knowledge, that an order has been passed by the JMFC Court directing the concerned police to investigate the said case and submit a report, without arrest of any of our officials without prior permission of the court. We are co-operating with the police investigation, as required.

Show Cause Notice:

1. A show cause notice for Contempt of Court has been issued by Mr. Manoharlal Gupta against Mr. K. V. Kamath in Petition no. 47/2005 filed in Civil Court Kota for alleged "wrongful seizure" of vehicle. We have filed our written statement. The proceedings are still at the evidence stage. The plaintiff, Mr. Manoharlal Gupta will testify on July 12, 2007.

Others:

1. We have filed a suit against Sajjan Textile Mills Limited and guarantors for recovery of our dues before Debt Recovery Tribunal, Mumbai and obtained Recovery Certificate (RC) for Rs. 59,032,753.00. As the secured assets are situated at Tamil Nadu, the RC was transferred to Debt Recovery Tribunal, Coimbatore for its execution. In the auction held the successful bidder failed to remit the bid amount of Rs. 25,099,999.00 and hence opportunity was given to the second bidder by the Recovery Officer (RO), Debt Recovery Tribunal, Coimbatore. As the RO and the Presiding Officer (PO), Coimbatore were shifted, the PO, Debt Recovery Tribunal (DRT), Chennai having concurrent charge on the DRT, Coimbatore, took up the recovery proceedings and passed orders for transfer of RC to Mumbai as he has no jurisdiction to execute the RC.

We filed a writ petition against the above order before High Court, Madras and on August 2, 2004 obtained directions to the DRT to complete the sale in favour of the second bidder in accordance with law within an outer time limit of two months from August 2, 2004. Accordingly, the DRT passed orders for removal of machineries in five lots on payment of the value of the machinery by the second bidder for each lot according to valuation report submitted by the valuer.

A total sum of Rs. 25.10 million has been remitted by the second bidder as on September 28, 2004 and the machinery were handed over to the purchaser by the Recovery Inspector, DRT, Coimbatore as on October 5, 2004 as per the directions of the DRT. The Company filed a Special Leave Petition (SLP) against us and the purchaser before the Supreme Court against the Order dated August 2, 2004 and obtained an interim stay of the operation of the above order. The Supreme Court directed the purchaser to bring back all the machinery. Pursuant to that company issued a notice of contempt to us as well as to the purchaser for restoration of machinery. We have replied that machinery were sold pursuant to the orders of the High Court and DRT and were delivered to the purchaser by the Recovery Inspector, Debt Recovery Tribunal, Coimbatore before the order of status quo passed by the Supreme Court on October 29, 2004. However the company filed a Contempt Petition No.84 of 2005 against Mr. K. V. Kamath, our Managing Director and Chief Executive Officer and Mr. P. Anandkrishnakumar, Assistant General Manager, and the purchaser. The Bank has taken notice of the contempt petition and the Supreme Court was pleased to order notice to the purchaser and also dispensed with the presence of Mr. K. V. Kamath and others. We have filed detailed counters in the contempt petition. The hearing of contempt petition is posted with main SLP for disposal. The Supreme Court also passed orders for payment of share of the sale proceeds to us on giving an undertaking before the Supreme Court to redeposit the amount

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in case the Civil Appeal is allowed. Accordingly, we have filed an affidavit before Supreme Court and received the sale proceeds from the Debt Recovery Tribunal, Coimbatore to the extent of our share for a sum of Rs. 12.5 million and the same is appropriated. We have filed a perjury application against directors of the company and others for having made false evidence and false statement in the contempt petition. The Supreme Court Registry has refused to take up the perjury application for mentioning unless the contempt petition is tagged on to the perjury application. Therefore the perjury application will be taken up along with Civil Appeal.

2. There were allegations of insider trading against Hindustan Lever Limited (HLL) in connection with acquisition of 800,000 shares of Brooke Bond Lipton India Limited (BBLIL) by private negotiations with UTI, a few months before the merger of BBLIL with HLL was announced in 1996. SEBI held the company and five of the directors of HLL, including Mr. M. K. Sharma guilty of insider trading. On appeal, the Appellate Authority allowed the appeal and set aside the order of SEBI and absolved the company and its directors of this charge. SEBI has preferred a writ petition before the Bombay High Court challenging the order of the Appellate Authority, which is pending. SEBI has also filed a prosecution against HLL (and five of its directors including Mr. M. K. Sharma) and these proceedings are also pending, but have not progressed.

Tabular details of other litigations

The following table sets forth the compiled position of claims (excluding tax related matters) involving an amount of less than Rs. 50.0 million, at May 31, 2007:

	Nature of claim	Cases with Monetary Claim (below Rs. 50 million)		Cases with no monetary claim
		Number	Amount in million	Number
1	Suits filed by shareholders/bond holders of the Bank	31	1.52	395
2	Suits filed by debenture holders against the Bank as Debenture Trustees	52	1.53	6
3	Suits filed by lessees/hirers seeking injunction against the Bank	61	11.00	35
4	Counter claims filed by Borrower/s or Guarantor/s	3	82.90	0
5	Suits/Cases filed by other persons	7	19.23	1
6	Writ Petitions filed by employees/ex employees	0	0.00	48
7	Writ Petitions filed by other persons	1	1.00	9
8	Cases filed before the Banking Ombudsman	26	4.30	160
9	Suits pertaining to fraudulent transactions / theft / deceit / misrepresentation or similar conduct	7	1.60	3
10	Suits pertaining to products /facilities provided by the Bank	530	320.96	2314
11	Suits pertaining to interest charges	2	0.12	0
12	Suits pertaining to property disputes	0	0.00	1
13	Suits where the bank is impleaded as a Proforma Defendant	0	0.00	9
14	Suits/Cases in respect of labour related matters or related thereto	0	0.00	7
15	Civil and/or Criminal cases against the Directors/ Senior Management/Officials of the Bank	4	12.33	10
16	Suits against Government of India (SDFC cases)	0	0.00	10
17	Miscellaneous suits/legal proceedings in the course of business.	373	234.46	15
18	Cases filed under Section 138 of the Negotiable Instruments Act	0	0.00	1
	TOTAL	1097	690.95	3024

Taxation-related matters

The major disallowances disputed in appeal by us and merged entities and allowances disputed in appeal by the income tax authorities as on March 31, 2007 (tax amount including interest), are as under:

1. Lease Depreciation: Rs. 10.08 billion
The tax authorities have treated lease transactions as finance transactions i.e. as loans and have disallowed the depreciation claim. In case of leasing business, the tax authorities have consistently denied depreciation to the lessor who is the legal owner. In respect of depreciation claimed for fiscal 1993 involving disputed tax amounting to Rs. 189.28 million, the Income Tax Appellate Tribunal has held sale and lease back transaction with Gujarat Electricity Board as not genuine and has disallowed the depreciation treating the transaction as a tax-planning tool. The appeals filed are pending disposal. In a recent subsequent judgement for fiscal 1995 the Income Tax Appellate Tribunal, Mumbai has held that the lease transactions are genuine and the lessor cannot be denied depreciation merely on suspicion or conjunctures and has allowed depreciation on all finance leases including sale and lease back transaction with Gujarat Electricity Board.
2. Bad debts deduction under section 36(i)(vii): Rs. 8.42 billion
The tax authorities have disallowed bad debts claims for fiscal 2003 and 2004. According to us, the bad debts have been written off as irrecoverable based on the evaluation of debtors. The appeals filed are pending disposal.
3. Allocation of expenses to earn dividend income: Rs 4.17 billion
The disputed issue involves computation of exemption under section 10(33) and deduction under section 80 M on account of dividend income viz. the gross dividend be exempted from tax or whether interest expenses are attributable to earning the exempt dividend income. According to us, the investment in the underlying shares was made out of our own funds not having any interest cost. The matter is pending disposal.
4. Taxability under section 41(4A) of amounts withdrawn from Special Reserve created upto Assessment Year 1997-98: Rs.2.97 billion
Erstwhile ICICI had two special reserve accounts, "Special Reserve created upto Assessment Year 1997-98" and "Special Reserve created and maintained from Assessment Year 1998-99". Withdrawal has been made from the "Special Reserve created upto Assessment Year 1997-98". The tax authorities had not taxed the withdrawals in the original assessment. The assessments were subsequently re-opened to tax the withdrawal, and these have been taxed by the income tax authorities. No withdrawals have been made from "Special Reserve created and maintained from Assessment Year 1998-99" account. The appeals filed against taxing withdrawal of special reserve are pending disposal.
5. Penalty order under section 271(1)(c): Rs. 10.76 billion
Penalty has been levied by the Assessing Officer on contentious additions involving judicial interpretation. As per the provisions of Income-tax Act, penalty provisions are attracted if the assessee has concealed income or furnished inaccurate particulars of income. According to the Bank, there is no concealment of income and proper disclosure is made. The matter is pending disposal.

Recent Developments**Criminal Litigations Against our Directors**

Following are criminal actions against our Directors, which have been filed subsequent to May 31, 2007 or where notices were served on us after May 31, 2007:

1. A criminal complaint (No. 892/2007) was filed by Mr. Amit Kumar Bhattacharya against Mr. K. V. Kamath on June 8, 2007, before the Judicial Magistrate, Jamshedpur *inter alia* alleging criminal breach of trust and cheating. The complainant had purchased a repossessed vehicle from the Bank and a receipt in this regard was issued by the Bank. We further provided certain documents to the complainant in this regard including a no-objection letter addressed to the concerned insurance company for removal of hypothecation and relevant forms for the termination of the hypothecation subsisting on the vehicle as well as for transfer of ownership of the vehicle in question. Allegedly, when the complainant approached the District Transport Office for the registration of the said vehicle he was informed that no such vehicle has been registered in their registration records. Aggrieved by this the complainant has filed the aforesaid complaint against Mr. K. V. Kamath and the then branch manager of our Jamshedpur branch. The magistrate has not taken cognizance of the complaint as of June 22, 2007 and no notice has been issued to the Bank in this regard.
2. A complaint (No. 375 of 2007) was filed by Mr. P. Dhanraj on March 2, 2007 in the court of the Metropolitan Magistrate, R.R. District at Cyberabad, Hyderabad, against Mr. K.V. Kamath and certain of our officials for a direction by the court to Moinabad police station to initiate action against Mr. K.V. Kamath and the said officials. The father of the complainant who was our customer had availed a vehicle loan from us. The customer defaulted in making repayments which resulted in his vehicle being repossessed by us in December, 2005. On the customer providing an undertaking to us that default would not occur in future payments and pursuant to a

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request for release of the vehicle we released the vehicle back to him. However, the customer defaulted again in making repayments and thus the vehicle was again repossessed and the same was sold by us in January 2007. A letter was sent to the customer in this regard on February 2007 requesting him to come to our branch and to accept a refund of Rs. 229,692. It was at this stage that the complainant informed us about the death of the customer in the month of May 2006. The Complainant, instead of approaching us for the refund, then proceeded to file the aforesaid complaint. On March 5, 2007, the Metropolitan Magistrate passed an order to register an FIR in the matter pursuant to which, on April 3, 2007 the police registered an FIR against Mr. K.V. Kamath and the said officials and on June 14, 2007 the police came for enquiry at our branch office. The police are yet to file a report before the magistrate in the matter.

3. A complaint (CC. 160/P/06) was filed by Mr. Sanjay Kundu on May 1, 2007 with the Metropolitan Magistrate, Tis Hazari, New Delhi against the Manager, Videocon Tower and one of our officials alleging *inter alia* criminal breach of trust, cheating, forgery, falsification of accounts, defamation and criminal intimidation. On May 19, 2007, the name of Mr. K.V. Kamath was substituted in place of the Manager, Videocon Tower. The complainant had purchased a used car from us in January, 2005. However, as the car was allegedly involved in a criminal complaint, the complainant could not sell the same. The complainant then claims to have taken up the matter with the aforesaid official upon which, allegedly the latter threatened the complainant and the complainant's grievance was not addressed. The Court notice in relation to the complaint was received by us on June 19, 2007. The next hearing in the matter was on June 22, 2007.
4. D.A. Patkar, landlord of Dombivali branch premises of erstwhile Sangli Bank has filed an application in the court of the Civil Judge (Junior Division) for contempt of court against us, our Deputy Managing Director Ms. Chanda Kochhar and certain other of our officials on the ground that the said premises were transferred by the erstwhile Sangli Bank to us in contravention of an order of the court. A copy of the said application was served on us on June 21, 2007. We are in the process of filing our reply.
5. The following proceedings have been initiated against Mr. Prem Watsa who is contesting each of the proceedings through his counsel and is taking steps to have the same quashed. O.R.E Holdings Limited, an affiliate of Fairfax Financial Holdings Limited, had earlier filed Petition No. 76 of 2005 before the Company Law Board at Chennai against Mr. Palanisamy alleging fraud, oppression and mismanagement:
Mr. Palanisamy, on March 07, 2007 instituted a complaint (CMP No 897 of 2007) before the Judicial Magistrate against Mr. Prem Watsa and others at Kangeyam alleging offences under Sections 420, 109, 408, 409 read with Section 120 (B) of the Indian Penal Code, 1860 ("IPC"). The Judicial Magistrate directed registration of a first information report ("FIR") and an FIR was registered at Erode. The High Court at Madras has stayed investigation by its order passed in a petition bearing Criminal OP No 12695 of 2007. Mr. C. Chenniappan, an associate of Mr. Palanisamy, has on June 01, 2007, June 08, 2007 and on June 9, 2007 filed three FIRs (FIR No 238 of 2007, 466 of 2007 and 468 of 2007) at Chenimalai and Kangeyam Police Stations in Erode alleging offences under Sections 109, 120B, 406, 409, 420, 467, 468, 472, 477 and 471 of the IPC against Mr. Prem Watsa and others.

Notices:

Following are investigations which have been initiated after May 31, 2007 or where notices were served on us after May 31, 2007:

1. A preliminary investigation under Section 11(2) of the Monopolies and Restrictive Trade Practices Act, 1969 has been initiated against us by the Office of the Director General of Investigation and Registration ("DG I&R") based on a complaint filed by Mr. Ramesh Kumar Sharma dated April 26, 2007. We have received a notice in this regard from the Office of the DG I&R on June 4, 2007. The complainant is a holder of our credit card, due to non-payment of dues he was charged interest and a late payment fee by the Bank. The complainant has claimed that levying of late payment fee in addition to interest on the amounts dues may be treated as double charging. We are in the process of replying to the notice.
2. We have received a notice of enquiry from the MRTP Commission dated May 31, 2007 under the Monopolies and Restrictive Trade Practices Act, 1969 and the Monopolies and Restrictive Trade Practices Commission Regulations, 1991 in the matter of DG (I&R) vs ICICI Bank Limited. A preliminary investigation report has been filed before the MRTP Commission *inter alia* alleging that we have been indulging in unfair trade practices while promoting our services of providing credit cards to the general public through our direct sales agents ("DSA"). It has been alleged *inter alia* that we are promoting and sourcing credit card customers through DSAs without disclosing that the DSAs are not our agents but are independent contractors; that applications are obtained from prospective credit card customers without adequate disclosure of the 'Most Important Terms and Conditions' ("MITC"); and that we are levying penal charges without ensuring that the statements of accounts have been received on time by credit card holders etc. We are in the process of preparing a reply to the allegations in the aforesaid notice of enquiry. The next date of hearing fixed in the matter is September 3, 2007.

Cases against our subsidiaries and group companies

Given below are the cases filed against the subsidiaries and group companies of ICICI Bank involving claims in excess of Rs. 10 million. The compiled position of claims against the subsidiaries and group companies involving an amount of less than Rs. 10.00 million are given separately in tabular form. Details of criminal proceedings / regulatory actions are also provided below.

Subsidiaries

ICICI Securities Primary Dealership Limited (ISPD)

- SEBI had vide its letter CFD/DIL/SCD/PB/V/56217/2005 dated December 22, 2005 to ISPD had observed that the Red Herring Prospectus in respect of the Public Issue of ABG Shipyard Limited ("ABG") did not contain any mention of ABG's application for listing on the NSE which was required to be made in terms of the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 and Schedule II of the Companies Act, 1956 and which was also not informed to SEBI. SEBI warned ISPD to be more careful in future and advised ISPD to exercise "due caution and diligence."

In addition details pertaining to civil claims (less than Rs. 10.0 million) are summarized in the table below:

Nature of Claim	Cases with monetary claim		Without monetary claim
	Number	Amount (Rs. in million)	Number
Consumer Dispute where ISPD was acting as a Lead Managers to an issue.	1	0.013	Nil

ICICI Securities Limited ("ICICI Securities") (formerly ICICI Brokerage Services Limited)

- A criminal case was filed against ICICI Securities in December 2006 in the court of the Additional Chief Metropolitan Magistrate, Esplanade, Mumbai by Dr. Vora and India Infoline Limited under Section 452 of the Criminal Procedure Code, 1973 for return of seized property. ICICI Securities has filed a reply and the case is pending for hearing.
- During routine inspections conducted by SEBI pertaining to ICICI Securities' books for the period from April, 2001 to March, 2003, certain irregularities were identified therein such as difference of trade details under separate accounts maintained by ICICI Securities, PAN number not being quoted on contract notes in some cases and non-segregation of clients' and ICICI Securities' funds. SEBI vide letter dated March 23, 2004 advised ICICI Securities to rectify the irregularities and warned it not to repeat the same in future.
- NSE had carried out regular inspections on erstwhile ICICI Web Trade Limited (IWTL) (since merged with ICICI Securities) for the Futures and Options Segment and the Capital Market Segment pertaining to financial year 2005 – 2006 during March, 2006 and pertaining to financial year 2004 – 2005 during March, 2005 and imposed a penalty of Rs.775,700. NSE had also carried out regular inspection on. ICICI Securities for the Futures and Options Segment during March, 2006 and imposed a penalty of Rs.15,000.

Details are as under:

Company	Pertaining to inspection for Financial Year	Segment	Fine (Rs.)
Erstwhile IWTL	2005-2006	Equities	109,000
Erstwhile IWTL	2005-2006	F & O	35,000
Erstwhile IWTL	2004-2005	Equities	631,700
ICICI Securities Limited	2005-2006	F & O	15,000

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In addition to details pertaining to civil claims (less than Rs. 10.0 million) are summarized in the table below:

Nature of Claim	Cases with monetary claim		Without monetary claim
	Number	Amount (Rs. in million)	Number
Unauthorized transactions executed in the clients account, Margin Shortfall, Non cancellation of a trading order, deactivation of demat account due to non submission of PAN details etc.	5	1.17	3

ICICI Securities Inc (I-Sec Inc)

1. A routine inspection of the operations of I-Sec Inc was conducted by the National Association of Securities Dealers ("NASD") on February 6, 2007 at its office in New York. The NASD informed I-Sec Inc after such inspection that there was general compliance with the rules and regulations reviewed, with the exception of one late filing of a form required under NASD bylaws (the filing was made 21 months after the date on which it was required under the aforesaid bylaws). I-Sec Inc has replied to NASD in this regard. Subsequently, NASD issued a letter of caution to I-Sec Inc and observed therein that since I-Sec Inc has responded to the deficiency noted in the inspection, no further response is required from I-Sec Inc. Further, NASD has stated that a letter of caution is not to be included in the Central Registration Depository.

ICICI Prudential Life Insurance Company Limited (ICICI Life)

1. Mr. D. S. Dutta has filed Case no. 1160/I/06 against ICICI Life and certain officials of ICICI Life before the court of the Chief Metropolitan Magistrate, Delhi. The complainant states that he took 16 policies as he was promised a bonus of 10% on policies above Rs.1,300,000. He alleges that he was given a cheque for Rs.130,000 which was not honored due to a stop payment advice on the cheque and has further stated that the cheque was issued by the branch officials of ICICI Life from their personal account and not from the account of ICICI Life. The last hearing in the case was on February 23, 2007 and the matter is now awaiting final orders.
2. Mr. Minesh Kumar Savailal Shah has filed two cases (181/2007 and 182/2007) against ICICI Life and an official of ICICI Life before the court of the Judicial Magistrate First Class at Jagadhia. The concerned Life Assured with respect to the policy did not undergo medical examinations as required with respect to insurance policy issuance and hence his policy was withdrawn and a refund was processed. Refund cheques were sent to the complainant and when the complainant presented the refund cheques for clearance, they were not realized since the Baroda branch of ICICI Life had issued stop payment instructions on these cheques. The complainant thus sent a legal notice to ICICI Life and ICICI Life has replied to the same. Simultaneous to the reply, ICICI Life has sent him replacement refund cheques as well. Nevertheless, the complainant has proceeded to initiate proceedings against ICICI Life under Section 138 of the Negotiable Instruments Act. Next date of hearing for the aforesaid cases filed by Mr. Shah is June 18, 2007.

Details pertaining to civil claims (less than Rs.10 million) are summarized in the table below:

Nature of claim	Cases with monetary claim		Without monetary claim
	Number	Amount in mil	Number
Civil – Claims related (Litigation arising out of claims made by insurance policy holders and their legal heirs and beneficiaries)	57	Rs.24.04	2
Civil – Service related (Cases regarding the service issues)	71	Rs.13.79	20
Civil (Litigation excluding insurance policy related claims and service matters)	8	Rs.1.79	3

ICICI Lombard General Insurance Company Limited (ICICI General)

1. The Tariff Advisory Committee (TAC), a statutory body under the Insurance Act, 1938, has fined ICICI General for a breach of Tariff norms i.e for a shortfall in premium that is otherwise stipulated by the TAC for tariff products. Details of the said fines are as follows:

	Period	Amount of Fine (Rs.)
1	Financial year 2000-01	NIL
2	Financial year 2001-02	NIL
3	Financial year 2002-03	NIL
4	Financial year 2003-04	2,000
5	Financial year 2004-05	5,23,000
6	Financial year 2005-06	11,00,714
7	Financial year 2006-07	3,43,110
8	Financial year 2007-08 (April 1, 07 to May 31, 07)	NIL

2. A show cause notice was issued to ICICI General in March, 2004 by the Insurance Regulatory and Development Authority (IRDA) on the alleged violation and breach of the provisions of Section 40, 40A(3) and 41 of the Insurance Act, 1938, wrong classification and misreporting of the compliance of Rural & Social Sector Regulation, Advertisement Regulation and Surveyors and Loss Assessors Regulation by ICICI General. ICICI General filed a detailed reply clearly establishing the facts and substantiating the fact that ICICI General complied with the provisions of the Insurance Act and Regulations made thereunder and that it has not violated / breached any of the said statutes. IRDA has not passed any orders in this regard.
3. A show cause notice was issued by IRDA to ICICI General in February, 2007 on the alleged violation of sections 42D(8) and (9) of the Insurance Act, 1938. ICICI General has filed a detailed reply explaining as to why a penalty should not be imposed on it in this regard. IRDA has not as of now passed any orders in this regard.
4. A show cause was issued by IRDA to ICICI General in April 2007 on the alleged violation of IRDA's File & Use Guidelines (2006). ICICI General has sent a reply to IRDA explaining as to why no penalty should be imposed on it. IRDA has not as of now passed any orders in this regard.
5. A show cause was issued by IRDA to ICICI General in May 2007 on the alleged violation of IRDA's File & Use Guidelines (2006). ICICI General is in the process of replying to IRDA.

In addition to what is disclosed above, details pertaining to civil claims (less than Rs.10 Million) are summarized in the table below:

Nature of Claim	Cases with monetary claim		Without monetary claim
	Number	Rs. (in million)	Number
Cases filed with Consumer forums and Civil courts against repudiation of insurance claims and/or against other deficiency of services.	1783	269.80	55

ICICI Venture Funds Management Company Limited (ICICI Ventures)

1. ICICI Equity Fund (the Fund), a fund managed by the ICICI Ventures was originally registered with the SEBI as a Venture Capital Fund under the SEBI (Venture Capital Funds) Regulations, 1996 (the Regulations). The Fund de-registered with SEBI in the year 2002. When the de-registration was in process, and prior to completion of the same, the Fund amended its Private Placement Memorandum (PPM) and pursued investment objectives permitted under the amended PPM, which however was in breach of the prevailing Regulations. SEBI was of the view that the Fund should have completed the de-registration formalities before pursuing investments in the aforesaid securities. ICICI Venture represented to SEBI that such investments as above were done in good faith and since it was of the opinion that to the best of its knowledge and belief, such investments would not be in violation of the Regulations as there was an intention to de-register the Fund and consequent to the de-

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registration, no restrictions contained in the Regulations would have been applicable. Further, the Fund *suo moto* communicated to SEBI these developments and initiated a dialogue to conclude and regularise the aforesaid alleged breaches of the Regulations. Upon consideration of the disclosures and representations made by ICICI Venture, SEBI vide its letter dated January 9, 2003 communicated to ICICI Venture that the above procedural lapse had been viewed seriously and advised ICICI Venture to take due care in future and to improve its compliance mechanism and standards to avoid recurrence of such breaches as aforesaid.

2. SEBI, Madras had issued a show cause notice dated May 31, 2002 to ICICI Venture alleging contravention of sub-regulation 1 and sub-regulation 3 of Regulation 6 (for the year 1997) and sub-regulation 1 and sub-regulation 2 of Regulation 8 (for the years 1998, 1999, 2000 and 2001) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 ("Regulations") for failure/delay in disclosure of its shareholding in Vimta Labs Limited. Adjudication proceedings were held. Based on the submissions made by ICICI Venture, SEBI vide order dated November 1, 2002 has exonerated ICICI Venture from liability arising out of violation of Regulations 6(1) and 6(3) for the 1997 and Regulations 8(1) and 8(2) for the years 1998, 1999, 2000 and 2001 of the Regulations read with Section 15A(b) of the said Act.

ICICI Prudential Mutual Fund (formerly Prudential ICICI Mutual Fund), the asset management company of which is ICICI Prudential Asset Management Company Ltd (formerly Prudential ICICI Asset Management Company Ltd) ("ICICI AMC") and trustee of which is ICICI Prudential Trust Limited (formerly Prudential ICICI Trust Limited) ("ICICI Trust")

1. SEBI vide its letter dated November 27, 2003, has advised ICICI AMC that while issuing performance based advertisements, performance percentages should not be used in bold font in headlines in advertisements. This advice was specifically with reference to the advertisement for "Prudential ICICI Power" Scheme.
2. A warning letter was issued to Prudential ICICI Mutual Fund by SEBI on June 22, 2004 in regard to the inspection report for the period from April 1, 2002 to June 30, 2003, where auditors were of the opinion that a prior approval of the Board of Directors of ICICI Trust and ICICI AMC was not obtained before making investments in unrated debt securities. ICICI AMC has replied to the same that considering the then prevailing regulations in this regard, prior approval was not required from both the Boards as long as the norms approved by the Boards are complied with for the stated investments.
3. Under Prudential ICICI FMCG Fund (the "Scheme"), ICICI AMC inadvertently crossed the limits with respect to holding in respect of one security (by 0.73 % above 10% of the net assets of the Scheme) on January 27, 2005. On noticing the above, ICICI AMC on September 23, 2004 sold the excess shares and brought the holding under the stock to 9.91% of the NAV of the Scheme. This incident was reported to SEBI vide letters dated March 17, 2005 & March 21, 2005. SEBI vide its letter dated October 18, 2004, advised ICICI AMC to take due care in adhering to the investment restrictions contained in Schedule VII of SEBI (Mutual Fund) Regulation, 1996.
4. Under Prudential ICICI Technology Fund (the "Scheme"), ICICI AMC inadvertently crossed the limits with respect to holding in respect of one security (by 0.93 % above 10% of the net assets of the Scheme) on January 27, 2005. On noticing the above, ICICI AMC on February 4, 2005 sold the excess shares and brought the holding under the stock to 9.95% of the NAV of the Scheme. This incident was reported to SEBI vide letters dated March 17, 2005 & March 21, 2005. SEBI vide its letter dated May 5, 2005, advised ICICI AMC to take due care in adhering to the investment restriction contained in Schedule VII of SEBI (Mutual Fund) Regulation, 1996.

Further, though the said regulation does not envisage provision of NAV data in the format of the Half Yearly Report, the same was reported by ICICI Trustee as a matter of additional information. The very minor variance in the NAV data was due to rounding off and this was pointed out by the auditors and further rectified. No investors have suffered any loss on account of the above.

5. Under Prudential ICICI Fixed Maturity Plan Series – 25 – Yearly Plan and Prudential ICICI Fixed Maturity Plan – Series 31 – 4 Months Plan (the "Schemes") SEBI has issued a letter stating that the notice of dividend under the Schemes had violated the requirements of SEBI circular no. SEBI/CIR No.1/64057/06 dated April 4, 2006. SEBI officials suggested that the entire distributable surplus should have been mentioned in the notice by ICICI AMC as against the mention of distributable surplus available on the record date.
6. On October 3, 2006, SEBI issued a notice to ICICI AMC under Rule 4 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 where it alleged that ICICI Prudential Mutual Fund ("Mutual Fund") had switched the investments of some Provident Funds from gilt schemes and failed to adhere

to the norms pertaining to the systems, organisation, risk management, customer service etc. as laid down in the circulars issued by SEBI. No loss has been alleged or caused to any investor, there have been no claims against the Prudential ICICI Mutual Fund or ICICI AMC by any investor and no loss has been caused with respect to any scheme.

7. SEBI issued a letter dated February 15, 2007 to the independent directors on the Board of Directors of ICICI Trust and to ICICI AMC seeking replies as to why the composition of the Board of Directors of ICICI AMC did not comply with the requirement of the SEBI (Mutual Funds) Regulations, 1996 ("Regulations") that stipulate that at least 50.0% of the Board should comprise of independent directors. It was explained to SEBI that the composition of ICICI AMC's Board of Directors had undergone a change. ICICI AMC was thus required to appoint one or more independent directors on the Board of Directors to comply with the Regulations. A request was made to SEBI for grant of time upto March 31, 2006 to identify a suitable candidate for appointment as independent director on the Board of Directors of ICICI AMC to ensure compliance with the Regulations. ICICI AMC identified two suitable candidates to be appointed as independent directors on its Board of Directors and conveyed the same to SEBI and the said persons were appointed as independent directors on January 22, 2007.
8. ICICI AMC launched the PrulCICI Fusion Fund-II as a close ended, mid cap oriented fund ("Fund") which opened for subscription on February 15, 2007 and closed on March 16, 2007. Distributors and agents in this regard were offered an additional incentive of 0.5% payable upfront relating to applications from NRIs, Trusts, and investors of post office schemes and RBI bonds. The objective of the special scheme to the distributors and agents was to encourage better investor asset allocation for the Fund. SEBI vide its letter dated February 27, 2007, directed and stated that the aforesaid special incentive violated the provisions of the Code of Conduct specified in the Fifth Schedule to the SEBI (Mutual Funds) Regulations, 1996. It therefore directed that all the printed application forms need to be withdrawn immediately and directed the Fund to issue an advertisement in two newspapers to the effect that the said incentive has been withdrawn. SEBI further directed that the entire matter should be placed before the trustees of the Fund and the comments of the trustees was to be submitted to SEBI.

In response to the above, vide letter dated March 2, 2007, ICICI AMC informed SEBI that it had taken immediate remedial action and that vide advertisements issued in the newspapers it also notified the withdrawal of the special incentive. The matter was referred to ICICI Trust as instructed by SEBI and their views on the aforesaid has been submitted to SEBI vide letter dated March 16, 2007.

In addition details pertaining to civil claims (less than Rs.10 milion) are summarized in the table below:

Sr. No.	Nature of Claim	Cases with monetary claim		Without monetary claim
		Number	Amount in (Rs.) mil (approx)	Number
1	Consumer Forum Cases	6	0.15	Nil

ICICI Home Finance Company Limited (ICICI Home Finance)

1. ICICI Home Finance had filed Annual Return for the period ended March 31,2005 with National Housing Bank (NHB) on September 30,2005. While calculating the NOF (Net Owned Fund) ICICI Home Finance omitted to deduct deferred tax assets. Due to non-deduction of deferred tax assets, the total borrowing of ICICI Home Finance has exceeded the prescribed ceiling limit.

Accordingly in terms of NHB circular no. NHB(ND)/DRS/PoI-No.04/2004-05 dated September 06, 2004 and in exercise of its powers under section 52A of the National Housing Bank Act, 1987 NHB imposed a penalty of Rs.2000 on ICICI Home Finance which has been paid.

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In addition details pertaining to civil claims (less than Rs.10 Million) are summarized in the table below:

Sl. No.	Nature of Claim	Cases with Monetary Claim		Cases without Monetary Claim
		Number	Amount in (Rs.) Nil (approx)	Number
1	Claims regarding sanctioned but undisbursed loans	34	17.25	nil
2	Service related claims	36	6.199	2
3	Third party claims on security/collateral	1	0.226	nil
4	Loan not disbursed & other issues	10	1.490	48
5	Consumer Disputes	10	0.272	11
6	Writ Petition in High Court	nil	nil	1
7	Other Civil	nil	nil	1

ICICI Bank Eurasia LLC ("IBEL")

- On November 3, 2006 the Prosecutor's Office in Borovsk District of Russia conducted an on-site inspection of IBEL and warned IBEL against some violations reported. These violations pertained to delayed reporting on transactions under obligatory supervision, including one cash transaction and mistakes in the matters reported to the Federal Service for Financial Monitoring during 2005 upto March 31, 2006 contrary to the requirements under the Russian legislation on anti money laundering. All such findings of the Prosecutor's Office were based on the previous findings of the Central Bank of Russia audit which was conducted in April – May 2006. IBEL has since reviewed its anti money laundering processes and has taken appropriate measures to ensure compliance with the legal and regulatory requirements in this regard, including strengthening its AML department, institution of further training, and revising its systems.

ICICI Bank UK Plc

- ICICI Bank UK Plc failed to make an accurate return of interest paid to a client for 2005 -06 to HM Revenue and Customs (HMRC). The maximum penalty that can be imposed by commissioner of HMRC for such failure is £ 3,000. However, after taking into account the co-operation given by ICICI Bank UK Plc and the voluntary disclosure of the excluded accounts, HMRC imposed a fine of £ 750.

ICICI Bank Canada

- The Financial Consumer Agency of Canada (FCAC), issued a Notice of Decision dated March 23, 2007 to ICICI Bank Canada regarding six violations pertaining to refusal to open a deposit account and failing to provide a notice of refusal in this regard. A penalty was imposed on ICICI Bank Canada of CAD 1,000 per violation. FCAC further directed ICICI Bank to correct the format of its Notice of Refusal by April 15, 2007. Corrective action taken by ICICI Bank Canada in this regard include revising the letter of refusal based on legal counsel inputs, issuing a branch manual on FCAC requirements and training of staff.
- A notice of violation was issued to ICICI Bank Canada by Office of the Superintendent of Financial Institutions, Canada (OSFI) under the Late and Erroneous Filing Penalty (LEFP) framework regarding a proposed penalty of CAD 1,750 for the quarter ended March 2007.

Prior LEFP penalties in the amounts and for the periods indicated have been paid to OSFI:

- CAD 3250 for the quarter ending December 2006,
- CAD 1750 for the quarter ending September 2006, and
- CAD 250 for the quarter ending March 2006.

Group Companies

3i Infotech Limited (3i Infotech)

1. A criminal complaint had been filed in 2001 against ICICI Bank and 3i Infotech by a shareholder of ICICI Bank before the 11th Metropolitan Magistrate, Secunderabad regarding transfer of five shares in spite of a stop transfer request having been made by him. The Magistrate referred the matter to the local police station for investigation. 3i Infotech has filed a petition in the Andhra Pradesh High Court for quashing this criminal complaint which is pending. The police have filed its final investigation report exonerating the Company from any criminal offence in the matter and 3i Infotech has made an application for the certified copy of the final investigation report. The said shareholder of ICICI Bank has also filed an application against 3i Infotech in the Consumer Redressal Forum, Hyderabad District in this regard, which has since been disposed off. The complainant appealed before the Andhra Pradesh State Consumer Disputes Redressal Commission at Hyderabad, which subsequently rejected the appeal on October 29, 2003. A revision petition was filed by the complainant before the National Consumer Disputes Redressal Commission, New Delhi and the same was rejected on August 25, 2004.

Details pertaining to civil claims (less than Rs.10 million) are summarized in the table below:

Nature of claim	Cases with monetary claim		Without monetary claim
	Number	Amt in mil	Number
Disputes in relation to 3i Infotech acting as Registrar and share transfer agent	7	Rs.1.42	126
Labour disputes	2	Rs 2.99	Nil
Wrongful termination	Nil	Nil	1

FirstSource Solutions Limited ("FirstSource") (Formerly ICICOneSource)

1. The Assistant Registrar of Karnataka issued a show-cause notice (No. 26218/AROC-SKG/JTAMM/2005) dated July 12, 2005 to the erstwhile Customer Asset India Limited (CAIL) asking it to show cause as to why penal action should not be initiated against it and its directors under Section 168 of the Companies Act, 1956 for failure to hold its annual general meeting (AGM) on time. CAIL ought to have held the AGM in respect of the financial year 2003-04 on or before September 5, 2004 in terms of Section 166 read with Section 210 of the Companies Act, 1956 as the immediately preceding AGM was held on June 6, 2003. It held its AGM on September 27, 2004 i.e. 22 days after the last date on which the AGM should have been held and did not seek prior approval of the Registrar of Companies for extending the date of the AGM. As CAIL has since merged with FirstSource, FirstSource has written to the Registrar of Companies, vide letter dated July 20, 2005, seeking compounding of the offence against CAIL and all of its then directors requesting the lowest possible penalty. The matter is currently pending.
2. An employee of Accounts Solutions Group (ASG), a subsidiary of FirstSource, has filed a complaint (case no. 10113616) against ASG before the New York State Division of Human Rights charging ASG with unlawful discriminatory practice on the basis of sex in violation of Article 15 of the Executive Law of the State of New York (Human Rights Law). It is alleged in the complaint that the complainant was denied vacation time and was unfairly disciplined because she was pregnant. ASG has also been charged with violating Title VII of the Civil Rights Act of 1964. ASG has submitted a written answer to complaint denying the allegations. The employee has voluntarily resigned from employment.
3. iplQ, Inc has issued a notice dated August 4, 2006 against Sanjeev Arora of Pipal Research Corporation ("Pipal") (subsidiary of FirstSource) alleging that Pipal has been collaborating with certain ex-employees of iplQ Inc to develop an offering to compete with iplQ Inc. The notice claims that these employees are in breach of their employment contracts. The notice further puts Pipal on notice from aiding any efforts by these ex-employees of iplQ Inc to form a company business. The notice also states that any and all intellectual property developed or sold by Pipal shall be compared with iplQ Inc's products to ensure that none of iplQ Inc's proprietary rights will be violated. Pipal has responded to the notice denying averments made therein. There has since been no correspondence between either parties.

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In addition details pertaining to other civil claims (less than Rs.10 million) are summarized in the table below:

Nature of claim	Cases with monetary claim		Without monetary claim
	Number	Amt in mil	Number
Outstanding Civil Claim	1	Rs.0.62	

Tax Proceedings Against Subsidiaries and Group Companies

ICICI Lombard General Insurance Company Limited (ICICI General)

1. An order has been passed by the Income Tax Authorities against ICICI General with respect to the following for which ICICI General has filed an appeal:
 - (a) Assessment Year 2002-203: Addition of Rs.0.63 million on account of addition of unexpired risk reserve
 - (b) Assessment Year 2004-2005: Addition of Rs.62.03 million on account of non allowance of deduction for gains on sale of investments and u/s 14A of the Income Tax Act, 1961.

ICICI Home Finance Company Limited

Disputed Tax Demand not provided in the accounts amounting to Rs. 30.19 million pertains mainly due to disallowance of pre-payment premium paid to ICICI Bank Limited for A.Y. 2003-04. The appeals filed before the Appellate authorities are pending.

3i Infotech Limited (3i Infotech)

1. In the return of income for the Assessment Year 2002-03, 3i Infotech has claimed software development expenses as deductible expenses. The Assessing Officer has disallowed the same, considering it as capital in nature and has allowed depreciation thereon. The demand of Rs.17.34 million raised against 3i Infotech has mainly arisen due to excess refund granted earlier. The stand taken by the Assessing Officer has been confirmed by the First Appellate Authority. The Company has not accepted the said stand and has preferred an appeal to the Income-tax Appellate Tribunal, Mumbai on April 12, 2007 which is pending.

FirstSource Solutions Limited ("FirstSource") (Formerly ICICOneSource)

1. The Deputy Commissioner of Income Tax- 5 (2), Mumbai by his assessment order dated February 27, 2006 has disallowed certain expenses and deduction for the assessment year 2003-2004. FirstSource has preferred an appeal against the assessment order before the Commissioner of Income Tax (Appeals) praying for the suitable modification of the assessment order. The amount involved aggregates to Rs. 25.5 million. The appeal is currently pending.
2. The Assistant Commissioner of Income Tax, Bangalore by his assessment order dated March 27, 2006 against erstwhile Customer Asset India Private Limited (now merged with FirstSource Limited) has added Rs. 101.5 million to the total income of FirstSource on account of determination of arms length price vide transfer pricing officer's order dated March 15, 2006. The order has disallowed deduction for employer's contribution to provident fund and ESI amounting to Rs. 0.47 million and has levied interest amounting to Rs. 8.9 million under Section 234B and 234D. FirstSource has preferred an appeal against the assessment order before the Commissioner of Income Tax (Appeals), Bangalore praying for the suitable modification of the assessment order. The amount involved aggregates to Rs. 110.87 million. The appeal is currently pending.

Cases Against erstwhile Sangli Bank Limited

Given below are the cases filed against erstwhile Sangli Bank (which has merged with the Bank effective from April 19, 2007) involving claims in excess of Rs. 10 million. From such date, all the cases against erstwhile Sangli Bank ("Sangli Bank") constitute cases against the Bank. The compiled position of claims against Sangli Bank (excluding tax related matters) involving an amount of less than Rs. 10.00 million are given separately.

1. R.M. Dhariwal filed a Special Civil Suit (No.936/1992) claiming Rs. 90.40 million against Bank of Maharashtra (BOM), Khosla Metal Powder (KMP), Khosla Plastic Private Limited (KP), Rubicon Meto Plast, Sangli Bank and Mr. A.R. Shah claiming damages for various claims including alleged loss of business reputation, fiscal injuries,

mainly alleging omission on part of BOM to issue Sick Unit Certificate to the units KMP and KP. The suit has been filed before the Civil Judge, Senior Division, Pune wherein it has been alleged that Sangli Bank amongst others indulged in aiding and abetting fraudulent siphoning of funds in collusion with A.R.Shah the then Managing Director of KMP and KP. Sangli Bank has filed their written statement. The matter is now scheduled for production of documents on June 4, 2007. Sangli Bank has filed recovery suits against KMP and KP, which have been decided in favour of Sangli Bank. The Recovery proceedings for such suits are in progress before the Debt Recovery Tribunal, Pune.

2. Ravindra Baburao Marathe, has filed a suit (no. 214/1997) against Sangli Bank for Rs. 47.0 million. This suit is by way of a counter claim to the suit filed by Sangli Bank on August 25, 1993 before the Debt Recovery Tribunal (DRT), Pune for the recovery of Rs.11.0 million. The said suit has therefore transferred to DRT. Both the matters are pending before DRT.
3. Sangli Bank filed a Civil Suit No. 426/1997 against M/s. Bright Aluminium Industries before the Debt Recovery Tribunal (DRT), Pune for the recovery of Rs. 9.60 million. Bright Aluminium filed their written statement in the suit along with a counter claim for Rs.26.7 million. The matters are pending before DRT.
4. M/s Hindustan Photo Films (HPF) has filed a suit in the High Court, Bombay (O.O.C.J.No.398 of 1994). A bank guarantee was given by Sangli Bank for the year 1989/1990 on behalf of M/s.Reman Cine Corporation to the beneficiary HPF. When the bank guarantee was invoked the only bank guarantee that was in subsistence was the guarantee which was issued in the year 1992 and expired on March 3, 1993. Sangli Bank applied for permission to defend the suit. However, Sangli Bank was permitted to defend the suit on condition that Sangli Bank should deposit Rs. 23.1 million, the amount of guarantee in the court. HPF filed a Special Leave Petition in the Supreme Court to allow them to withdraw the amount deposited by Sangli Bank in the court, i.e., Rs. 23.1 million. However, the Petition was dismissed by the Supreme Court. The matter is posted for framing of issues at the High Court of Mumbai.
5. Litaka Pharmaceuticals Limited has filed a suit against Sangli Bank claiming Rs.7.4 million as wrongful debits in their account and Rs.12.5 million as damages before Civil Judge, Senior Division, Pune on March 29, 1997 in Special Civil Suit No.952/97. Sangli Bank has denied the charges. The next hearing date for this matter is on June 21, 2007.
6. Manikpur Urban Credit Co-operative Society Limited (The Society) has filed a civil suit on November 11, 1998 before Civil Judge, Senior Division, Palghar (Dist. Thane) (Court) (No. Spl.C.S.No.114 of 1998) claiming an amount of Rs.14.8 million being the proceeds of Fixed Deposit Receipts (FDRs) placed by them at Wai Branch (District Satara) of Sangli Bank. Sangli Bank had granted an advance of Rs. 9.4 million against the FDRs placed by Society of Rs.12.5 million by getting the original FDRs pledged. The Court passed an order for production of documents by Sangli Bank. Aggrieved by such order, Sangli Bank has filed a Writ Petition No.5884/2003 before the High Court, Bombay. The writ was heard and decided partly in Sangli Bank's favour on December 8, 2004 directing Sangli Bank to produce copies of certain documents. The civil suit is posted for hearing on June 15, 2007 for production of documents.
7. The Chowpatty Mumbai Branch premises of Sangli Bank are housed in the premises secured on sub-lease from M/s. Aram Restaurant. M/s. Aram Restaurant was the tenant of M/s. Desai and Co. The owners have since sold the premises to M/s. Sai Palace Hotels Private Limited. Sangli Bank has secured the premises on April 1, 1979 and an area of 1391 sq.ft. on the ground floor is under the possession of Sangli Bank. Initially, M/s. Desai and Co, the owners, filed an eviction suit against Aram Restaurant and Sangli Bank, under the old Bombay Rent Control Act. The said suit (479 /1999) is now operated by new owners, Sai Palace Hotels Private Limited. The new owners, Sai Palace Hotels Private Limited have filed a fresh eviction suit (no. 257/272 of 2001) against Aram Restaurant and Sangli Bank, under the Maharashtra Rent Control Act. Also, Sangli Bank's landlords, M/s. Aram Restaurant, had filed an eviction suit (no. 54/56 of 2001), which was decided against Sangli Bank. Sangli Bank has preferred an appeal against the said decision in which application has been filed by M/s Aram Restaurant claiming mesne profit of Rs. 14.4 million.

Criminal Litigation against Erstwhile Sangli Bank and/or its Directors

1. Shri Balasaheb Kadam has filed three private complaints u/s 420, 463, 467, 477 read with Sec 34 of IPC, against the Bank, its Ex-Chairman, its General Manager and the then Branch Manager of MIDC Branch, Miraj in Judicial Magistrate First Class (JMFC) Miraj on 27th April, 2006 with RCC No.713/06, 714/06 and 715/06 alleging excess

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interest charged on his accounts based on false and fabricated documents and decree obtained from DRT, Pune. Exparte police enquiry U/S 156 (3) of CrPC was passed, which was set aside in Revision with a direction to Police Department that in case the persons are to be arrested, 72 hours prior notice in writing be given.

2. M/s.Runwal Tea Trading Co. has filed a criminal complaint bearing SCC No.4731/02 under section 209, 420, 406, 34 of IPC against the Bank, Bank's Senior Officials and its Directors in JMFC Cantonment Court, Pune on October 31, 2002 for charging excess interest in their loan account, preparing false record etc. The matter is now posted for hearing on September 20, 2007 at JMFC.

Tabular details of other litigations

The following table sets forth the compiled position of claims against Sangli Bank involving an amount of less than Rs. 10.0 million, as at May 31, 2007:

	Nature of claim	Cases with Monetary Claim less than Rs.10 million		Cases with no monetary claim
		Number	Amount in million	Number
1	Counter claims filed by borrowers or guarantors	5	10.75	1
2	Suits/Cases filed by other persons	4	0.67	0
3	Writ Petitions filed by employees/ex employees	4	1.51	2
4	Cases filed before the Banking Ombudsman	2	0.21	1
5	Suits pertaining to fraudulent transactions / theft / deceit / misrepresentation or similar conduct	7	11.14	0
6	Suits pertaining to products / facilities provided by the Bank	31	15.28	2
7	Suits pertaining to interest charges	4	2.33	1
8	Suits pertaining to property disputes	8	20.39	19
9	Suits where the Bank is impleaded as proforma defendant	0	0.00	5
10	Suits/Cases in respect of labour related matters or related thereto	5	2.18	14
11	Criminal cases against the Bank / Former Directors / Senior Mgmt / Officials	0	0.00	3
12	Miscellaneous suits / legal proceedings in the course of business	5	2.22	8
	TOTAL	75	66.68	56

INDIAN LICENCES, APPROVALS, REGISTRATIONS AND PERMISSIONS

We have received all material necessary consents, licenses, permissions and approvals from the government and various governmental agencies necessary for conducting our business and this Issue:

1. Licence to carry on banking business under section 22 of the Banking Regulation Act: Licence No. A.H. 2 dated May 17, 1994.
2. Permission to set up subsidiaries which carry out businesses outside India under section 19(b):
 - RBI permission dated August 29, 2003 for a subsidiary in Moscow, Russia;
 - RBI permission dated December 2, 2002 for a subsidiary in London, UK; and
 - RBI permission dated December 2, 2002 for a subsidiary in Toronto, Canada.
 - RBI permission dated February 11, 2005 for a subsidiary in New York, USA.
3. Permission from RBI to open new places of business/ branches outside India under section 23(1)(b) of the Banking Regulation Act:
 - OBU- RBI Licence No. 1339 for SEEPZ, Mumbai dated July 9, 2003;
 - Branch – RBI permission dated May 24, 2004 for up gradation of representative office to a branch in New York, USA
 - Branch – RBI permission dated May 24, 2004 for branch office in Colombo, Sri Lanka;
 - Branch – RBI permission dated August 29, 2003 for branch office in Manama, Bahrain;
 - Branch – RBI permission dated December 2, 2002 for setting up of a Branch in Singapore
 - Branch – RBI permission dated February 11, 2005 for setting up of a Branch in Hong Kong
 - Branch – RBI permission dated December 2, 2002 for setting up branch office in DIFC, Dubai
 - Branch –RBI permission dated October 26, 2006 for setting up of a Branch in QFC, Qatar.
 - Representative Office-RBI permission dated August 29, 2003 for setting up of a representative office in Johannesburg, South Africa;
 - Representative Office -RBI permission dated August 29, 2003 for setting up of a representative office in Dhaka, Bangladesh;
 - Representative Office -RBI permission dated December 2, 2002 for setting up of a representative office in Shanghai, China;
 - Representative Office -RBI permission dated December 2, 2002 for setting up of a representative office in Dubai, UAE.
 - Representative Office -RBI permission dated December 11, 2000 for setting up of a representative office in New York, USA.
 - Representative Offices -RBI permission dated February 11, 2005 for setting up of representative offices in New Jersey, California, Texas, Illinois, Georgia, Florida and Washington DC in USA.
 - Representative Office -RBI permission dated October 28, 2005 for setting up of a representative office in Kenya.
 - Representative Office -RBI permission dated October 28, 2005 for setting up of a representative office in Indonesia
 - Representative Office -RBI permission dated October 28, 2005 for setting up of a representative office in Malaysia.

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- Representative Office -RBI permission dated October 28, 2005 for setting up of a representative office in Thailand.
- Representative Office -RBI permission dated October 26, 2006 for setting up of a representative office in Abu Dhabi.

4. We have the following other registrations:

- As a Debenture Trustee with SEBI vide registration number IND000000004 dated April 24, 2006.
- As a Custodian with SEBI vide registration number IN/CUS/005 dated January 8, 1999.
- As a Depository Participant - NSDL with SEBI vide registration number IN-DP-NSDL-20-97 dated December 14, 2006.
- As a Depository Participant - CDSL with SEBI vide registration number IN-DP-CDSL-42-99 dated September 24, 2004.
- As a Banker to the Issue with SEBI vide registration number INBI000000004 dated November 22, 2006 (Conditional Registration).
- As a Merchant Banker with SEBI vide registration number INM000010759 dated October 27, 2005. As per the SEBI (Underwriters) Regulations, 1993 as amended by Securities and Exchange Board of India (Underwriters) Amendment Regulations, 2006, we can act as an Underwriter without obtaining a separate certificate under the said Regulations.
- As a Professional Clearing Member - BSE with SEBI vide registration number INF011133446.
- As a Professional Clearing Member - NSE with SEBI vide registration number INF231134745.
- As a Clearing House with BSE vide registration number Code No: 813, with NSE vide registration number Code No: ICICI and with OTC vide registration number Code No: ICICI.
- Registration number PM/INP000000894 with SEBI to act as a Portfolio Manager.

5. In addition our subsidiaries, other group companies and mutual funds, sponsored/co-sponsored by us have the following registrations:

ICICI Venture Funds Management Company Limited

- ICICI Venture Funds Management Company Limited is notified as a Public Financial Institution under section 4A of the Act through S.O. 321 (E) dated April 12, 1990.
- ICICI Venture Funds Management Company Limited by itself is not registered with SEBI. The following funds managed by it are registered with SEBI as "Venture Capital Funds":
 - (i) ICICI Venture Capital Fund - IN/VC/99-00/022 from February 2, 2000
 - (ii) ICICI Emerging Sectors Trust - IN/VCF/02-03/040 from August 29, 2002
 - (iii) ICICI Econet Fund - IN/VC/00-01/028 from December 4, 2000
 - (iv) India Advantage Fund I - IN/VCF/02-03/043 from January 20, 2003
 - (v) India Advantage Fund III - IN/VCF/05-06/060 from June 6, 2005
 - (vi) India Advantage Fund IV - IN/VCF/05-06/067 from August 11, 2005
 - (vii) India Advantage Fund V - IN/VCF/05-06/071 from October 24, 2005

ICICI Securities Primary Dealership Limited (formerly known as ICICI Securities Limited)

- Registered as a Merchant Banker with SEBI vide registration number MB/INM 000001113 dated July 12, 2002.
- Registered as an Underwriter with SEBI vide registration number UND/INU 000001017 dated December 14, 2001.

- Registered as a Portfolio Manager with SEBI vide registration number PM/INP000000696 dated October 16, 2002.
- Registered as a NBFC with RBI vide registration number B-13.01624 dated June 18, 2002.
- Authorised by RBI to act as a Primary Dealer. Registration renewed vide letter dated June 28, 2006 which is valid till June 30, 2007.

ICICI Securities Limited (formerly known as ICICI Brokerage Services Limited)

- Registered as a Stock Broker with BSE vide registration number INB 010773035 (Capital Market Segment) dated March 8, 1999 and registration number INF 010773035 (Derivative Segment) dated June 8, 2000.
- Registered as a Stock Broker with NSE vide registration number INB 230773037 (Capital Market and Wholesale Debt Market Segment) dated September 14, 1995 and registration number INF 230773037 (Futures and Options Segment) dated June 8, 2000.

ICICI Investment Management Company Limited

- Asset Management Company of ICICI Securities Fund, a Mutual Fund registered with SEBI, with Registration No. MF/043/00/3.
- Registered with SEBI as Portfolio Manager with Registration No. INP000001025 (validity - August 16, 2004 to August 15, 2007)

ICICI Trusteeship Services Limited

- Trustee Company of ICICI Securities Fund, a Mutual Fund registered with SEBI, with Registration No. MF/043/00/3.

ICICI Home Finance Company Limited

- Registered as a Housing Finance Company with NHB vide registration number 14-75-31.
- Registered "To carry out business of Housing Finance Institution" with NHB vide registration number 01.0007.01.

ICICI Prudential Life Insurance Company Limited

- Registered as a Life Insurance Company with Insurance Regulatory and Development Authority vide registration number 105, dated November 24, 2000.

ICICI Lombard General Insurance Company Limited

- Registered as a General Insurance Company with Insurance Regulatory and Development Authority vide registration number 115 dated August 3, 2001.

ICICI Prudential Mutual Fund (formerly known as Prudential ICICI Mutual Fund):

- Registered as a Mutual Fund with SEBI vide registration number MF/003/93/6, the trustee of which is ICICI Prudential Trust Limited (erstwhile Prudential ICICI Trust Limited) and the asset management company of which is ICICI Prudential Asset Management Company Limited. (erstwhile Prudential ICICI Asset Management Company Ltd.)

ICICI Prudential Asset Management Company Limited (formerly known as Prudential ICICI Asset Management Company Ltd.)

- Registered as a Portfolio Manager with SEBI vide registration number PM/INP000000373.

ICICI International Limited

- Registered with SEBI as Foreign Institutional Investor vide registration no. IN-MU-FD-1066-05 valid upto May 8, 2010.

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3i Infotech Limited

- Certified as Registrars to an Issue and Share Transfer Agent in Category I, by SEBI vide registration code INR000001773
 - Importer-Exporter Code (IEC) issued by the Ministry of Information Technology, Government of India vide IEC No. 5199003470.
6. We apply for and/or renew relevant licenses, approvals or permissions as may be required on account of our business from the relevant regulatory or other authorities, in India or abroad.

We can undertake our current business activities in view of the above approvals and unless as specified no further approvals from any government authorities/RBI are required by us.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

The issue of Equity Shares in the Issue by us has been authorised by the resolution of the Board of Directors passed at their meeting held on April 28, 2007, subject to the approval of shareholders through a special resolution to be passed pursuant to Section 81(1A) of the Companies Act. We have obtained the approval of shareholders for the Issue by way of a postal ballot resolution dated June 8, 2007 under Section 192A of the Companies Act.

Prohibition by SEBI, RBI or governmental authorities

Neither we, nor our Directors, or companies with which our Directors are associated with as directors or promoters, have been prohibited from accessing or operating in the capital markets under any order or direction passed by SEBI.

Neither we nor our directors, subsidiaries, directors of subsidiaries or associates, have been detained as wilful defaulters by RBI or government authorities. Other than as disclosed under the Section "Outstanding Litigations and Material Developments" on page 330, there are no other violations of securities laws committed by any them in the past or pending against them.

Eligibility for the Issue

As a banking company, we are exempt from eligibility norms specified by SEBI Guidelines to make public issue of equity shares. The extract of SEBI Guidelines is set out below:

"2.4 Exemption from Eligibility Norms

2.4.1 The provisions of clauses (2.2 and 2.3) shall not be applicable in case of; a banking company including a Local Area Bank (hereinafter referred to as Private Sector Banks) set up under sub-section (c) of Section 5 of the Banking Regulation Act, 1949 and which has received license from the Reserve Bank of India"

For information purposes only, clause 2.2 referred in the clause above relates to unlisted companies and Clause 2.3 relates to listed companies which is reproduced as follows:

"2.3. Public Issue by Listed Companies

2.3.1 A listed company shall be eligible to make a public issue of equity shares or any other security which may be converted into or exchanged with equity shares at a later date.

Provided that the aggregate of the proposed issue and all previous issues made in the same financial year in terms of size (i.e. offer through offer document + firm allotment + promoters' contribution through the offer document), issue size does not exceed 5 times its pre-issue net worth as per the audited balance sheet of the last financial year.

Provided further that in case there is a change in the name of the issuer company within the last 1 year (reckoned from the date of filing of the offer document), the revenue accounted for by the activity suggested by the new name is not less than 50% of its total revenue in the preceding 1 full-year period)

2.3.2. A listed company which does not fulfil the conditions given in the provisos to Clause 2.3.1 above, shall be eligible to make a public issue subject to complying with the conditions specified in Clause 2.2.2)"

Disclaimer Clause

AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGERS GOLDMAN SACHS (INDIA) SECURITIES PRIVATE LIMITED, DSP MERRILL LYNCH LIMITED, ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED AND JM MORGAN STANLEY PRIVATE LIMITED (NOW KNOWN AS JM FINANCIAL CONSULTANTS PRIVATE LIMITED) HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURES AND INVESTOR PROTECTION) GUIDELINES, 2000 AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO

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FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS AND THE BOOK RUNNING LEAD MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGERS GOLDMAN SACHS (INDIA) SECURITIES PRIVATE LIMITED, DSP MERRILL LYNCH LIMITED, , ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED AND JM MORGAN STANLEY PRIVATE LIMITED (NOW KNOWN AS JM FINANCIAL CONSULTANTS PRIVATE LIMITED) HAVE FURNISHED TO SEBI, DUE DILIGENCE CERTIFICATE DATED MAY 11, 2007 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS:

1. "WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.
2. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.
3. WE CONFIRM THAT:
 - THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;
 - ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH;
 - THE DISCLOSURES MADE IN THE RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE;
 - BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID; AND
 - WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS."

ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF FILING OF THE RED HERRING PROSPECTUS WITH THE REGISTRAR OF COMPANIES, GUJARAT IN ACCORDANCE WITH APPLICABLE LAW, AS ALSO ANY GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, GOI AND ANY OTHER COMPETENT AUTHORITY."

THE FILING OF THE RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES IN THE NATURE OF LIABILITIES UNDER SECTION 63 AND SECTION 68 OF THE COMPANIES ACT OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGERS, ANY IRREGULARITIES OR LAPSES IN THE DRAFT RED HERRING PROSPECTUS.

Note:

We, our Directors, the BRLMs and the CBRLMs accept no responsibility for statements made otherwise than in this Prospectus or in any advertisements or any other material issued by or at instance of the above mentioned entities and anyone placing reliance on any other source of information, including our website, www.icicibank.com, would be doing so at his or her own risk.

The BRLMs and the CBRLMs accept no responsibility, save to the limited extent as provided in the memorandum of understanding and the supplemental memorandum of understanding entered into among the BRLMs, the CBRLMs and us dated May 11, 2007 and June 11, 2007 respectively and the Underwriting Agreement to be entered into among the Underwriters and us.

All information shall be made available by us, the BRLMs and the CBRLMs to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports or at Bidding centres.

We shall not be liable to the Bidders for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

Disclaimer in respect of Jurisdiction

This Issue is being made in India to Persons resident in India (including Indian nationals resident in India), who are majors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), or trusts under the applicable trust law and who are authorised under their constitution to hold and invest in shares, permitted insurance companies and pension funds and to permitted non residents including FII, NRIs and other eligible foreign investors. This Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to or purchase Equity Shares offered hereby in any other jurisdiction to any Person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any Person into whose possession this Prospectus comes is required to inform himself or herself about and to observe, any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Mumbai, India only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that the Draft Red Herring Prospectus had been filed with SEBI for observations and SEBI has given its observations. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in our affairs from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

The Red Herring Prospectus is not an offer of Equity Shares or ADSs or an invitation to subscribe to Equity Shares or ADSs to any person in any jurisdiction where it is unlawful to make such offer or invitation. Each purchaser of our Equity Shares in the Issue is deemed to have acknowledged, represented and agreed as follows:

- (1) It is not in the United States nor a U.S. person (as defined in Regulation S under the U.S. Securities Act of 1933, as amended).
- (2) The Equity Shares offered in the Indian public offering have not been registered under the Securities Act.
- (3) It is purchasing those Equity Shares in an offshore transaction meeting the requirements of Rule 903 of Regulation S.
- (4) Until the expiration of the "40-day distribution compliance period" within the meaning of Rule 903 of Regulation S, it shall not make any offer or sale of equity shares within the United States or to a U.S. person or for the account or benefit of a U.S. person (as defined in Regulation S), except in compliance with applicable securities laws.

Investors will not be permitted to deposit Equity Shares into the ADR facility until 40 days after the later of (i) the date the securities are first offered to the public and (ii) the closing date for the offering. Investors would have to comply with the procedures set out under Indian law for the deposit of Equity Shares in the ADR facility.

The Equity Shares may not be offered or sold in the United States absent registration or an exemption from registration. Any public offering or sale of ADSs in the United States will be registered and made by means of a U.S. prospectus that may be obtained from us when it becomes available and that will contain detailed information about us and our management, as well as consolidated financial statements prepared in accordance with Indian GAAP, with a reconciliation of net income and stockholders' equity to US GAAP. No money, securities, or other consideration is being solicited, and, if sent in response to the information contained herein, will not be accepted. We will file a registration statement in the United States for an offering of ADSs.

This Prospectus may not be distributed or made available in the United States or any other jurisdiction outside India where such distribution would be unlawful.

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DISCLAIMER CLAUSE OF THE NSE

As required, a copy of the Draft Red Herring Prospectus has been submitted to NSE. NSE has given in its letter dated May 30, 2007, permission to us to use NSE's name in the Draft Red Herring Prospectus as one of the stock exchanges on which our further securities are proposed to be listed, subject to the Company fulfilling the various criteria for listing including the one related to paid-up capital and market capitalization (i.e. the paid-up capital shall not be less than Rs. 100 million and the market capitalization shall not be less than Rs. 250 million at the time of listing). The NSE has scrutinised the Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to us. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed to mean that the Draft Red Herring Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the Draft Red Herring Prospectus; nor does it warrant that our securities will be listed or will continue to be listed on the NSE; nor does it take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company.

Every Person who desires to apply for or otherwise acquires any of our securities may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against NSE whatsoever by reason of any loss which may be suffered by such Person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

DISCLAIMER CLAUSE OF THE BSE

As required, a copy of the Draft Red Herring Prospectus has been submitted to BSE. BSE has given vide its letter dated May 31, 2007, permission to the Company to use BSE's name in the Draft Red Herring Prospectus as one of the stock exchanges on which our further securities are proposed to be listed. BSE has scrutinised the Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to us. BSE does not in any manner:

1. Warrant, certify or endorse the correctness or completeness of any of the contents of the Draft Red Herring Prospectus; or
2. Warrant that this Company's securities will be listed or will continue to be listed on BSE; or
3. Take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed to mean that the Draft Red Herring Prospectus has been cleared or approved by BSE. Every Person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against BSE whatsoever by reason of any loss which may be suffered by such Person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Filing

A copy of the Draft Red Herring Prospectus has been filed with SEBI at Corporation Finance Department, SEBI Bhavan, Plot No. C4-A, 'G' Block, Bandra Kurla Complex, Bandra East, Mumbai 400 051.

A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, would be delivered for registration to the RoC situated at RoC Bhavan, Opposite Rupal Park, Near Ankur Bus Stand, Naranpura, Ahmedabad 380013 and a copy of the Prospectus to be filed under Section 60 of the Companies Act would be delivered for registration with RoC.

Listing

Applications have been made to the NSE and BSE for permission to deal in and for an official quotation of our Equity Shares. NSE will be the Designated Stock Exchange.

If the permissions to deal in and for an official quotation of the Equity Shares are not granted by any of the Stock Exchanges mentioned above, we will forthwith repay, without interest, all moneys received from the applicants in pursuance of the Red Herring Prospectus. If such money is not repaid within eight (8) days after we become liable

to repay it, i.e. from the date of refusal or within 15 days from the Bid/Issue Closing Date, whichever is earlier, then we and our every Director who is an officer in default shall, on and from such expiry of eight (8) days, be liable to repay the money, with interest at the rate of 15.0% per annum on application money, as prescribed under Section 73 of the Companies Act.

We ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges mentioned above are taken within seven working days of finalization of the basis of allocation for the Issue.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, which is reproduced below:

“Any person who:

(a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or

(b) otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name,

shall be punishable with imprisonment for a term which may extend to five years.”

Consents

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the Auditors, Legal Advisors, the Banker to the Issue; and (b) Book Running Lead Managers, Co- Book Running Lead Managers, Syndicate Members, Escrow Collection Bank(s) and Registrar to the Issue, to act in their respective capacities, have been obtained and filed along with a copy of the Red Herring Prospectus with RoC and such consents have not been withdrawn up to the time of delivery of this Prospectus with RoC.

BSR & Co., Chartered Accountants, our Auditors, have given their written consent to the inclusion of their report in the form and context in which it appears in this Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Prospectus for filing with RoC.

Expert Opinion

We have not obtained any expert opinions.

Estimated Expenses of the Issue

The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. The estimated Issue expenses are as follows:

Activity	Expense (in Rs. millions)
Lead management fees and underwriting commissions ⁽¹⁾	550.0
Other expenses (including advertising, registrars fee, legal fee and listing fee)	550.0
Total estimated Issue expenses	1,100.0

(1) Subject to approval of RBI.

(2) To be incorporated after finalisation of issue price.

Fees Payable to the BRLMs and the CBRLMs including Brokerage and Selling Commission

BRLMs will be paid fees in proportion to their underwriting and CBRLMs will receive a fixed fee.

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Fees Payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue will be as per the Registrar's memorandum of understanding dated May 11, 2007 copy of which are available for inspection at our Registered Office. Processing charges to the Registrar will depend on the number of applications received.

Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders or Allotment advice by registered post or speed post or under certificate of posting.

Bidding Period / Issue Period

BID / ISSUE OPENED ON	TUESDAY, JUNE 19, 2007
BID / ISSUE CLOSED ON	FRIDAY, JUNE 22, 2007

Designated Date and Allotment of Equity Shares

- (a) We will ensure that the Allotment of Equity Shares is done within 15 days of the Bid Closing Date/Issue Closing Date. After the funds are transferred from the Escrow Accounts to the Issue Account on the Designated Date, we would ensure the credit to the successful Bidders depository account within two working days of the date of Allotment.
- (b) As per SEBI Guidelines, Equity Shares will be issued and Allotment shall be made only in the dematerialised form to the allottees. Allottees will have the option to rematerialise the Equity Shares, if they so desire, in the manner stated in the Depositories Act.

Companies Under The Same Management

There are no companies under the same management.

Commission and Brokerage paid on Previous Issues by us in the five years preceding the date of this Prospectus

S. No.	Issue	Month and Year	Commission and Brokerage
			(in Rs. millions)
1.	Public Issue of Bonds in the nature of Debentures	Jan-03	5.3
2.	Public Issue of Bonds in the nature of Debentures	Feb-03	3.4
3.	Public Issue of Bonds in the nature of Debentures	Mar-03	3.1
4.	Public Issue of Bonds in the nature of Debentures	Aug-03	1.6
5.	Public Issue of Bonds in the nature of Debentures	Oct-03	2.4
6.	Public Issue of Bonds in the nature of Debentures	Dec-03	2.4
7.	Public Issue of Equity Shares	Apr-04	4.7
8.	Public Issue of Bonds in the nature of Debentures	Jan-05	5.9
9.	Public Issue of Bonds in the nature of Debentures	Feb-05	4.1
10.	Public Issue of Bonds in the nature of Debentures	Mar-05	2.4
11.	Public Issue of Equity Shares	Dec-05	71.7

(1) For all issues from January 2003, the Trustee is The Western India Trustee and Executor Company Limited.

Commission and brokerage paid on foreign currency bond issues made by us in the five years preceding the date of this Prospectus

Sr. No.	Issue	Month and Year	Commission & brokerage (including selling, management and underwriting fees)
			(US\$ in million except as specified)
1.	4.75% Fixed Rate Notes	October 2003	0.8
2.	5.00% Fixed Rate Notes	August 2004	0.5
3.	5.75% Fixed Rate Notes	November 2005	0.8
4.	7.25% Fixed Rate Notes	August 2006	1.0
5.	5.875% Fixed Rate Notes	October 2006	0.4
6.	6.375% Fixed Rate Notes	January 2007	1.5
7.	5.75% Fixed Rate Notes	January 2007	0.8
8.	Floating Rate Notes	January 2007	0.6
9.	Floating Rate Euro Bond	March 2007	EURO 0.3 million

For all the above foreign currency Bond issues, the Trustee was Deutsche Bank.

(i) We incurred commission and brokerage (including selling, management and underwriting fees) of US\$ 4.98 million in respect of our December 2005 ADS issue.

Outstanding Debentures and Bonds

We do not have any outstanding debentures or Bonds except as mentioned in the section titled "Other Regulatory and Statutory Disclosures – Previous Bond Issues" on page 368.

Outstanding Preference Shares

We do not have any outstanding preference shares except as mentioned in the section titled "Capital Structure" on page 30.

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Particulars Regarding Public Issues During The Last Five Years

Public Issue of Equity Shares (2005)

Public Issue of 97,155,388 Equity Shares of Rs. 10/- each at a price of Rs. 525/- per share for cash aggregating Rs. 50,000 million (the "Issue") with a green shoe option of 14,285,714 Equity Shares of Rs.10/- each at a price of Rs. 525/- per share for cash aggregating Rs. 7,500 million.

Closing Date	December 6, 2005
Date of Allotment	As per the table given below:

No. of shares allotted	Nature of payment	Issue Price per share (Rs.)	Date of allotment
66,275,828 to Qualified Institutional Bidders and Non-Institutional Bidders	Fully paid-up	525	December 16, 2005
1,511,494 to Qualified Institutional Bidders	Fully paid-up	525	December 20, 2005
12,988,820 to Existing Retail Shareholders and Retail Bidders	Fully paid-up	498.75 (After discount of 5% on the issue price of Rs.525 per share)	December 16, 2005
15,905,240 to Existing Retail Shareholders and Retail Bidders	Partly paid-up (Rs.150 per share paid on application and Rs.348.75 per share is payable on allotment)	498.75 (After discount of 5% on the issue price of Rs.525 per share)	December 16, 2005
14,285,714 (Green Shoe Option) Refer Note 2	Fully paid-up	525	December 16, 2005

Notes:

- 1) 1,450 Equity Shares at the rate of Rs. 498.75 per share have not been allotted as the applicants have been precluded by SEBI from applying in IPOs.
- 2) 14,285,714 shares were allotted by exercising the Green Shoe Option. These shares were held by Life Insurance Corporation of India, who in their capacity as lender, had lent the shares to JM Morgan Stanley Private Limited, the Stabilizing Agent in terms of the Green Shoe Option and the Stabilization Agreement for allotment.

Date of Refunds	December 16, 2005
Date of Listing on Stock Exchanges	BSE-79,264,648 fully paid-up shares on December 19, 2005 & 1,511,494 fully paid-up shares on December 20, 2005 NSE- 79,264,648 fully paid-up shares on December 19, 2005 & 1,511,494 fully paid-up shares on December 20, 2005

Note:

- a) BSE and NSE granted in-principle approval for listing of 15,905,240 partly paid shares on December 16, 2005. However, these shares will be listed and available for trading on being fully paid-up. These shares were listed and available for trading on January 20, 2006 as fully paid-up. 44,280 shares were forfeited on December 29, 2006 for non-payment of allotment money.
- b) Approval for listing of 14,285,714 shares allotted by exercising the Green Shoe Option was not sought from the stock exchanges as these shares were allotted out of the Equity Shares, which were already listed and held by Life Insurance Corporation of India, who in their capacity as green shoe lender, had lent the shares to JM Morgan Stanley Private Limited, the Stabilizing Agent in terms of the Green Shoe Option and the Stabilization Agreement for allotment.

American Depositary Shares Issue (2005)

18,618,730 American Depositary Shares (ADSs), each representing two Equity Shares issued at US\$ 26.75 per ADS aggregating US\$ 433,087,850 with an over allotment option of 2,428,530 ADSs, each representing two Equity Shares issued at US\$ 26.75 per ADS aggregating US\$ 64,963,178.

Closing Date	December 6, 2005
Date of Allotment	December 16, 2005
Date of Refunds	N.A.
Date of Listing on	The New York Stock Exchange (NYSE) on December 16, 2005
Depository	Deutsche Bank Trust Company Americas

The premium collected from abovementioned issue has been utilised for our business. We have complied with the continuous listing requirements in respect of our ADSs.

Public Issue of Equity Shares (2004)

Public Issue of 108,928,571 Equity Shares of Rs.10/- each at a price of Rs.280/- for cash aggregating Rs. 30.50 bn with a green shoe option of 16,071,429 Equity Shares of Rs. 10/- each at a price of Rs. 280/- for cash aggregating Rs. 4.50 bn.

Closing Date : April 7, 2004
Date of Allotment : April 21, 2004
Date of Refunds : April 22, 2004
Date of Listing on : BSE on April 21, 2004
Stock Exchanges : NSE on April 22, 2004

Exercise of Green Shoe Option

Closing Date : N.A.
Date of Allotment : May 24, 2004
Date of Refunds : N.A.
Date of Listing on : BSE on May 25, 2004
Stock Exchanges : NSE on May 26, 2004

Sponsored American Depositary Shares Offering

We had sponsored an American Depositary Shares (ADS) Offering which opened for participation on March 7, 2005 and closed on March 11, 2005. In terms of the Offering, 20,685,750 ADSs representing 41,371,500 Equity Shares had been sold at a price of US\$ 21.1 per ADS. The gross proceeds from the ADS Offering were approximately US\$ 436.7 million (Rs.19.10 billion). The net consideration per share (after deduction of expenses in connection with the offering) was Rs. 453.16.

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Previous Bond Issues

1. ICICI Bank

We have not made any public issue of debentures, bonds or promissory notes either in India or abroad in the five years preceding the date of this Prospectus, other than the following:

Issue Name- Date of closure of Issue	Deemed Date of Allotment	Date of completion of despatch of debenture certificates	Description	Amount Allotted (Rs. billion unless otherwise specified)	Date of Redemption	Rating at the time of Issue
January 2003 - January 27, 2003	February 26, 2003	April 1, 2003	Public Issue of Unsecured Redeemable Bonds in the nature of Debentures aggregating Rs. 4.00 billion with a right to retain oversubscription upto Rs. 4.00 billion	11.22	Tax Saving Bond Option I February 26, 2006 Option II June 26, 2006 Option III February 26, 2008 Option IV June 26, 2008	ICRA "LAAA" CARE "CARE AAA"
February 2003 - March 4, 2003	April 3, 2003	May 5, 2003	Public Issue of Unsecured Redeemable Bonds in the nature of Debentures aggregating Rs. 4.00 billion with a right to retain oversubscription upto Rs. 4.00 billion	7.40	Tax Saving Bond Option I April 3, 2006 Option II August 3, 2006 Option III April 3, 2008 Option IV August 3, 2008 Regular Income Bond April 3, 2010	ICRA "LAAA" CARE "CARE AAA"
March 2003 - March 31, 2003	April 30, 2003	May 22, 2003	Public Issue of Unsecured Redeemable Bonds in the nature of Debentures aggregating Rs. 4.00 billion with a right to retain oversubscription upto Rs. 4.00 billion	4.81	Tax Saving Bond Option I April 30, 2006 Option II August 30, 2006 Option III April 30, 2008 Option IV August 30, 2008 Regular Income Bond April 30, 2010	ICRA "LAAA" CARE "CARE AAA"

Issue Name- Date of closure of Issue	Deemed Date of Allotment	Date of completion of despatch of debenture certificates	Description	Amount Allotted (Rs. billion unless otherwise specified)	Date of Redemption	Rating at the time of Issue
August 2003 - September 9, 2003	October 9, 2003	November 3, 2003	Public Issue of Unsecured Redeemable Bonds in the nature of Debentures aggregating Rs. 3.00 billion with a right to retain oversubscription upto Rs. 3.00 billion	3.43	Tax Saving Bond Option I October 9, 2006 Option II February 9, 2007 Option III October 9, 2008 Option IV February 9, 2009 Regular Income Bond October 9, 2010	ICRA "LAAA" CARE "CARE AAA"
October, 2003	October 22, 2003	N.A.	4.75% Fixed Rate Notes	US\$ 300mn	October 22, 2008	Moody's: Baa3S&P:BB
October 2003 - November 15, 2003	December 15, 2003	January 14, 2004	Public Issue of Unsecured Redeemable Bonds in the nature of Debentures aggregating Rs. 4.00 billion with a right to retain oversubscription upto Rs. 4.00 billion	4.86	Tax Saving Bond Option I December 15, 2006 Option II June 15, 2007 Option III December 15, 2008 Option IV June 15, 2009 Regular Income Bond December 15, 2010	ICRA "LAAA" CARE "CARE AAA"
December 2003- January 6, 2004	February 5, 2004	March 13, 2004	Public Issue of Unsecured Redeemable Bonds in the nature of Debentures aggregating Rs. 1.00 billion with a right to retain oversubscription upto Rs. 1.00 billion	5.23	Tax Saving Bond Option I February 5, 2007 Option II August 5, 2007 Option III February 5, 2009 Option IV August 5, 2009	ICRA "LAAA" CARE "CARE AAA"
August 2004- August, 2004	August 18, 2004	N.A.	5.00% Fixed Rate Notes	US\$ 300 mn	August 18, 2009	Moody's: Baa3, S&P: BB+

ICICI BANK LIMITED

Issue Name- Date of closure of Issue	Deemed Date of Allotment	Date of completion of despatch of debenture certificates	Description	Amount Allotted (Rs. billion unless otherwise specified)	Date of Redemption	Rating at the time of Issue
January 2005- February 9, 2005	March 11, 2005	April 7, 2005	Public Issue of Unsecured Redeemable Bonds in the nature of Debentures aggregating Rs. 6.00 billion with a right to retain oversubs- cription upto Rs. 6.00 billion	7.75	Tax Saving Bond Option I March 11, 2010 Option II March 11, 2010 Regular Income bond Option I March 11, 2010 Option II March 11, 2012 Option III March 11, 2015 Children Growth Fund Option I March 11, 2012 Option II March 11, 2015	ICRA "LAAA"CARE "CARE AAA"
February 2005- March 9, 2005	April 8, 2005	May 10, 2005	Public Issue of Unsecured Redeemable Bonds in the nature of Debentures aggregating Rs. 4.00 billion with a right to retain oversubscription upto Rs. 4.00 billion	5.29	Tax Saving Bond Option I April 8, 2010 Option II April 8, 2010 Regular Income bond Option I April 8, 2010 Option II April 8,, 2012 Option III April 8, 2015 Children Growth Fund Option I April 8, 2012 Option II April 8, 2015	ICRA "LAAA"CARE "CARE AAA"
March 2005- March 31, 2005	April 30, 2005	May 27, 2005	Public Issue of Unsecured Redeemable Bonds in the nature of Debentures aggregating Rs. 3.50 billion with a right to retain oversubscription upto Rs. 3.50 billion	3.24	Tax Saving Bond Option I April 30, 2010 Option II April 30, 2010 Regular Income Bond Option I April 30, 2010 Option II April 30,, 2012 Option III April 30, 2015 Children Growth Fund Option I April 30, 2012 Option II April 30, 2015	ICRA "LAAA"CARE "CARE AAA"

Issue Name- Date of closure of Issue	Deemed Date of Allotment	Date of completion of despatch of debenture certificates	Description	Amount Allotted (Rs. billion unless otherwise specified)	Date of Redemption	Rating at the time of Issue
November 2005- November 16, 2005	November 16, 2005	N.A.	5.75% Fixed Rate Notes	US\$ 500 mn	November 16, 2010	Moody's: Baa3, S&P: BB+
August 2006- August 17, 2006	August 17, 2006	N.A.	7.25% perpetual non-cumulative subordinated debt securities	US\$ 340 mn	Perpetual. Call Option exercisable first on October 31, 2016 and on every interest payment date thereafter.	Moody's: Baa2,
October 2006- October 20, 2006	October 20, 2006	N.A.	5.875% Fixed Rate Notes	US\$ 400 mn	October 20, 2011	Moody's: Baa2, S&P: BB+
November 2006- November 22, 2006	November 22, 2006	N.A.	5.875% Fixed Rate Notes	US\$ 100 mn	October 20, 2011	Moody's: Baa2, S&P: BB+
January 2007- January 12, 2007	January 12, 2007	N.A.	6.375% Fixed Rate Notes	US\$ 750 mn	15 years call option exercisable first on April 30, 2017 and on every interest payment date thereafter.	Moody's: Baa2, S&P: BB-
January 2007- January 12, 2007	January 12, 2007	N.A.	5.75% Fixed Rate Notes	US\$ 750 mn	January 12, 2012	Moody's: Baa2, S&P: BB+
January 2007- January 12, 2007	January 12, 2007	N.A.	Floating Rate Notes	US\$ 500 mn	January 12, 2012	Moody's: Baa2, S&P: BB+
March 2007 - March 29, 2007	March 29, 2007	N.A.	Floating Rate Notes	EUR 500 mn	March 29, 2009	Moody's: Baa2, S&P: BBB-
April 2007 - April 27, 2007	April 27, 2007	N.A.	Floating Rate Notes	EUR 50 mn	March 29, 2009	Moody's: Baa2, S&P: BBB-
May 2007 - May 4, 2007	May 4, 2007	N.A.	Floating Rate Notes	EUR 50 mn	March 29, 2009	Moody's: Baa2, S&P: BBB-

* ICICI Bank has issued notice exercising the call option due on these bonds on May 27, 2003.

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Promise vs. Performance

We have not made any projections in the offer document of any of our previous capital issues during the last five years. The funds raised from these capital issues have been utilised for our business as mentioned in the respective prospectuses.

Issues otherwise than for cash

Other than as stated in "Capital Structure" on page 30 of this Prospectus, we have not issued any Equity Shares for consideration otherwise than for cash.

Purchase of Property

There is no property which we have purchased or acquired or propose to purchase or acquire which is to be paid for wholly, or in part, from the net proceeds of the Issue or the purchase or acquisition of which has not been completed on the date of this Prospectus, other than property in respect of which:

- the contracts for the purchase or acquisition were entered into in the ordinary course of the business, and the contracts were not entered into in contemplation of the Issue nor is the Issue contemplated in consequence of the contracts; or
- the amount of the purchase money is not material; or
- disclosure has been made earlier in this Prospectus.

Except as stated in the section titled "Related Party Transactions" on page 168 of this Prospectus, we have not purchased any property in which any Directors, have any direct or indirect interest in any payment made thereof.

Servicing Behaviour

There has been no default in payment of statutory dues or of interest or principal in respect of our borrowings or deposits.

Stock Market Data For Our Equity Shares

Our Equity Shares are listed on the BSE and NSE.

The following table sets forth, the high and low of daily closing prices of our Equity Shares on BSE and the NSE, for a period of three years, for the periods indicated

(In Rs.)

Period	BSE			NSE		
	High	Low	Average	High	Low	Average
Fiscal 2005	413.05	230.35	309.70	413.05	230.40	309.79
Fiscal 2006	627.95	360.20	506.31	628.75	359.95	506.65
Fiscal 2007	997.90	454.50	711.37	999.70	451.20	711.55

The following table sets forth, the number of shares traded on the days when the high and low prices were recorded of our Equity Shares on the BSE and the NSE, in the past three years, on the dates indicated:

Period	Date	High	BSE		NSE			Low
			Low		High			
		Number of shares traded	Date	Number of shares traded	Date	Number of shares traded	Date	Number of shares traded
Fiscal 2005	March 18, 2005	569,346	May 31, 2004	270,905	March 18, 2005	1,668,279	May 31, 2004	1,013,554
Fiscal 2006	February 7, 2006	1,442,716	April 29, 2005	258,506	February 7, 2006	4,782,786	April 29, 2005	1,085,153
Fiscal 2007	February 8, 2007	459,128	June 14, 2006	281,297	February 8, 2007	1,758,208	June 14, 2006	933,098

The following table sets forth, the high and low of daily closing prices of our Equity Shares on BSE and the NSE and the number of shares traded, in the last six months, for the periods indicated:

(In Rs.)

Period	BSE				NSE			
	High	Low	Average*	Volume	High	Low	Average*	Volume
December 2006	898.85	805.60	865.47	4,714,620	903.20	803.95	866.01	21,955,589
January 2007	985.75	882.80	940.84	6,725,351	991.45	883.85	941.29	25,077,425
February 2007	997.90	831.90	944.25	5,815,463	999.70	829.50	944.67	31,297,691
March 2007	899.30	810.65	851.75	7,484,055	899.60	810.00	851.34	32,948,173
April 2007	964.05	803.95	882.34	5,918,780	962.90	803.95	883.29	25,873,887
May 2007	950.70	841.45	895.13	6,362,826	951.15	839.80	895.46	23,075,663

* Average of the daily closing share price

The following table sets forth, the number of shares traded on the days when the highs and low prices were recorded of our Equity Shares on BSE and the NSE, in the past six months, on the dates indicated:

Period	Date	High	BSE		NSE		Low
			Low		High		
		Number of shares traded	Date	Number of shares traded	Date	Number of shares traded	Date
December 2006	December 28, 2006	333,020	December 12, 2006	419,526	December 28, 2006	1,811,114	December 12, 2006
January 2007	January 17, 2007	221,663	January 10, 2007	262,247	January 25, 2007	1,021,034	January 10, 2007
February 2007	February 8, 2007	459,128	February 28, 2007	921,231	February 8, 2007	1,758,208	February 28, 2007
March 2007	March 22, 2007	514,719	March 16, 2007	328,776	March 22, 2007	2,276,034	March 16, 2007
April 2007	April 26, 2007	343,846	April 3, 2007	431,792	April 25, 2007	2,011,589	April 2, 2007
May 2007	May 18, 2007	261,907	May 8, 2007	329,891	May 18, 2007	1,682,990	May 8, 2007

As on April 28, 2007, the day after our Board approved this Issue, the market price of our Equity Shares on the BSE was Rs. 933.65 and the NSE was Rs. 930.55.

Mechanism For Redressal of Investor Grievances

Investor grievance will be settled expeditiously and satisfactorily by us. The agreement between the Registrar to the Issue and us, will provide for retention of records with the Registrar to the Issue for a period of at least one year from the last date of dispatch of letters of Allotment, demat credit, and refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, Karvy Computershare Private Limited giving full details such as name, address of the applicant, application number, number of shares applied for, amount paid on application, Depository Participant, and the respective Syndicate Member or collection centre where the application was submitted.

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Disposal Of Investor Grievances

We estimate that the average time required by us or the Registrar to the Issue to address routine investor grievances shall be seven days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

We have appointed Jyotin Mehta, Compliance Officer and Company Secretary, as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue-related problems. He can be contacted at the following address:

General Manager and Company Secretary
ICICI Bank Limited,
ICICI Bank Towers,
Bandra-Kurla Complex,
Mumbai 400 051
Tel. No.: (022) 2653 1414
Fax No.: (022) 2653 1122
E-mail: jyotin.mehta@icicibank.com

Changes in Auditors

The Members at their Eighth Annual General Meeting held on September 16, 2002 appointed N. M. Raiji & Co. and S. R. Batliboi & Co., both Chartered Accountants, in place of retiring auditors S.B. Billimoria & Co., Chartered Accountants, to audit the accounts for fiscal 2003.

RBI *vide* its letter dated July 4, 2003 and the Members of ICICI Bank, at their Ninth Annual General Meeting held on August 25, 2003 approved the appointment of S. R. Batliboi & Co., Chartered Accountants as Auditors to audit our accounts for fiscal 2004. RBI *vide* its letter dated May 31, 2004 and the Members of ICICI Bank at their Tenth Annual General Meeting held on September 20, 2004 approved the appointment of S.R. Batliboi & Co., Chartered Accountants as Auditors to audit the accounts for fiscal 2005. RBI *vide* its letter dated May 31, 2005 and the Members of ICICI Bank, at their Eleventh Annual General Meeting held on August 20, 2005 approved the appointment of S.R. Batliboi & Co., Chartered Accountants as Auditors to audit the accounts for fiscal 2006. RBI *vide* its letter dated April 26, 2006 and the Members of ICICI Bank, at their Twelfth Annual General Meeting held on July 22, 2006 approved the appointment of BSR & Co., Chartered Accountants as Auditors to audit the accounts for fiscal 2007.

Capitalisation of Reserves or Profits

We have not capitalised any reserves or profits during the last five financial years.

Revaluation of Assets

We have not revalued our assets in the past five years.

TERMS OF THE ISSUE

The Equity Shares being offered are subject to the provisions of the Companies Act, Banking Regulation Act, the Memorandum and the Articles of Association of our Bank, the terms of the Red Herring Prospectus, the Bid-cum-Application Form, the Revision Form, the CAN and other terms and conditions as may be incorporated in the allotment advice and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, the Government, Stock Exchanges, RBI, and/or other authorities, as in force on the date of the Issue and to the extent applicable.

Ranking of Equity Shares

The Equity Shares being offered shall be subject to the provisions of the Companies Act, the Memorandum and the Articles of Association of the Bank and shall rank *pari passu* in all respects with the existing Equity Shares of the Bank, including rights in respect of dividends to the extent of capital paid up on such Equity Shares. See the section titled "Main Provisions of the Articles of Association" on page 416 of this Prospectus.

For fiscal 2007, we have declared a dividend, excluding dividend tax, of Rs. 10.00 per Equity Share aggregating to Rs. 8.99 billion. This is subject to the approval of our shareholders at the AGM scheduled on July 21, 2007. The Register of Members and the Share Transfer Book of the Bank will remain closed from Saturday, June 16, 2007 to Saturday, July 14, 2007 (both days inclusive). A dividend of Rs. 10/- per Equity Share of Rs.10/- each (100%) as recommended by the Board of Directors of the Bank for the year ended March 31, 2007, if declared by the members at the AGM, will be paid on and from Monday, July 23, 2007 to those members, holding Equity Shares in physical form, whose names appear on the Register of Members of the Bank, at the close of business hours on Saturday, July 14, 2007 after giving effect to all valid transfers in physical form lodged with the Bank and/or its Registrar and Transfer Agent on or before Friday, June 15, 2007; and in respect of Equity Shares held in electronic form, on the basis of beneficial ownership as per the details furnished by National Securities Depository Limited and Central Depository Services (India) Limited at the close of business hours on Friday, June 15, 2007. In terms of the directives of Securities and Exchange Board of India, shares issued by companies should rank *pari passu* in all respects, including dividend entitlement, and accordingly, the Equity Shares allotted/to be allotted by the Bank during the period April 1, 2007 to June 15, 2007 under the ICICI Bank Employees Stock Option Scheme will be entitled for full dividend for the financial year ended March 31, 2007, if declared at the meeting.

Mode of Payment of Dividend

We shall pay dividends to our shareholders as per the provisions of the Companies Act and the guidelines notified by RBI. See the section titled "Regulations and Policies" on page 111.

Compliance with SEBI Guidelines

We shall comply with all disclosure and accounting norms as specified by SEBI from time to time.

Face Value and Issue Price

The Equity Shares with a face value of Rs. 10 each are being offered in terms of the Red Herring Prospectus at an Issue Price of Rs. 940 per Equity Share. At any given point of time there shall be only one denomination for the Equity Shares.

The Bank, in consultation with the BRLMs and the CBRLMs, may decide to allot the Equity Shares to Existing Retail Shareholders and Retail Bidders at a differential lower price as compared to the price for QIBs and Non Institutional Bidders. The price payable by the Existing Retail Shareholders and Retail Bidder shall be Rs. 890 per Equity Share which is at a 5.3% discount compared to the Issue Price for the QIBs and Non Institutional Bidders or at such discount decided by the Bank in consultation with the BRLMs and the CBRLMs which shall be notified before the Bid / Issue Opening Date. Such differential amount shall be adjusted against the Amount Payable on Call or be refunded to the Existing Retail Shareholders and Retail Bidders as the case may be.

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Rights of the Equity Shareholder

Subject to applicable laws, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and our Memorandum and Articles.

For a detailed description of the main provisions of our Articles relating to, among other things, voting rights, dividend, forfeiture and lien, transfer and transmission see the section titled “Main Provisions of the Articles of Association” on page 416 of this Prospectus.

Market Lot and Trading Lot

In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialized form. As per the existing SEBI Guidelines, trading in Equity Shares shall only be in dematerialised form for all investors. Since trading of our Equity Shares is in dematerialised form, the tradable lot is one Equity Share. Allotment through this Issue will be done only in electronic form in multiples of one Equity Share subject to a minimum allotment of 6 Equity Shares.

Nomination Facility to the Investor

In the nature of the rights specified in Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidder, may nominate any one person in whom, in the event of the death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any Person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/transfer/alienation of Equity Share(s) by the Person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Corporate Office of our Bank or at the Registrar and Transfer Agents of our Bank.

In the nature of the rights stated in Section 109B of the Companies Act, any person who becomes a nominee in the manner stated above, shall upon the production of such evidence as may be required by the Board of Directors, elect either:

- to register himself or herself as the holder of the Equity Shares; or
- to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, our Board of Directors may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with, within a period of 90 days, our Board of Directors may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Notwithstanding anything stated above, since the allotment in the Issue will be made only in dematerialised mode, there is no need to make a separate nomination with the Bank. Nominations registered with the respective Depository Participant of the Bidder would prevail. If the investors require to change the nomination, they are requested to inform their respective Depository Participant.

Minimum Subscription

If we do not receive the minimum subscription of 90% of the Net Issue to the public to the extent of the Amount Payable on submission of Bid-cum-Application Form, including devolvement on Underwriters, if any, within 60 days from the Bid/Issue Closing Date, we shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after we become liable to pay the amount, we shall pay interest prescribed under Section 73 of the Companies Act.

Subscription by Non-Residents, NRI, FIIs

There is no reservation for any Non-Residents, NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions and such Non-Residents, NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions will be treated on the same basis with other categories for the purpose of allocation subject to applicable law and specific Non Resident shareholding limits. **Non-Residents require the approval of the RBI for subscribing to partly paid up Equity Shares and copy of such approval should be submitted along with the Bid-cum-Application Form.**

As per RBI regulations, OCBs cannot participate in the Issue.

Withdrawal of the Issue

We, in consultation with the BRLMs and the CBRLMs reserve the right not to proceed with the Issue at anytime including after the Bid/Issue Closing Date, without assigning any reason thereof.

The Red Herring Prospectus is not an offer of Equity Shares or ADSs for sale or an invitation to subscribe to Equity Shares or ADSs to any person in any jurisdiction where it is unlawful to make such offer or invitation. Each purchaser of our Equity Shares in the Issue is deemed to have acknowledged, represented and agreed as follows:

1. It is not in the United States nor a U.S. person (as defined in Regulation S under the U.S. Securities Act of 1933, as amended).
2. The Equity Shares offered in the Indian public offering have not been registered under the Securities Act.
3. It is purchasing those Equity Shares in an offshore transaction meeting the requirements of Rule 903 of Regulation S.
4. Until the expiration of the "40-day distribution compliance period" within the meaning of Rule 903 of Regulation S, it shall not make any offer or sale of equity shares within the United States or to a U.S. person or for the account or benefit of a U.S. person (as defined in Regulation S), except in compliance with applicable securities laws.

Investors will not be permitted to deposit Equity Shares into the ADR facility until 40 days later of (i) the date the securities are first offered to the public and (ii) the closing date for the offering. Investors would have to comply with the procedures set out under Indian law for the deposit of Equity Shares in the ADR facility.

The Equity Shares may not be offered or sold in the United States absent registration or an exemption from registration. Any public offering or sale of ADSs in the United States will be registered and made by means of a U.S. prospectus that may be obtained from us when it becomes available and that will contain detailed information about us and our management, as well as consolidated financial statements prepared in accordance with Indian GAAP, with a reconciliation of net income and stockholders' equity to US GAAP. No money, securities, or other consideration is being solicited, and, if sent in response to the information contained herein, will not be accepted. We will file a registration statement in the United States for an offering of ADSs.

The Red Herring Prospectus may not be distributed or made available in the United States or any other jurisdiction outside India where such distribution would be unlawful.

ISSUE STRUCTURE

The present Issue of 94,663,600 Equity Shares of Rs. 10/- each at a price of Rs. 940 for cash, aggregating, after considering the price payable by Existing Retail Shareholders and Retail Bidders, Rs. 87,500.0 million is being made through the Book Building Process. The present Issue of 94,663,600 Equity Shares comprises Net Issue to the public of upto 92,878,698 Equity Shares aggregating Rs. 85,911.4 million and a reservation for Existing Retail Shareholders of 1,784,902 Equity Shares aggregating Rs. 1,588.6 million. The Issue will have a Green Shoe Option of up to 14,197,011 Equity Shares of Rs. 10/- each for cash at a price of Rs. 940 per Equity Share for Non Institutional and QIB Bidders and Rs. 890.0 for Existing Retail Shareholders and Retail Bidders aggregating Rs. 13,125.0 million. The price payable by the Existing Retail Shareholders and Retail Bidders shall be Rs. 890 per Equity Share. The Issue size would be up to Rs. 87,500.0 million assuming no exercise of the Green Shoe Option and up to Rs. 100,625.0 million assuming the Green Shoe Option is fully exercised. Please note, the total number of Equity Shares issued may be required to be adjusted inter alia for the Rs. 50.0 discount to be offered to Existing Retail Shareholders and Retail Bidders, pursuant to completion of Book Building Process.

	QIBs	Non-Institutional Bidders	Retail Bidders	Existing Retail Shareholders
Number of Equity Shares*	Minimum of 44,215,426 Equity Shares.	Minimum of 13,264,628 Equity Shares	Minimum of 32,689,607 Equity Shares	Up to 4,915,731 Equity Shares
Percentage of Net Issue size available for Allocation	Minimum of 50% of the Net Issue. However, 5% of the QIB Portion shall be available for allocation proportionately to Mutual Funds only.	Minimum of 15% of the Net Issue	Minimum of 35% of the Net Issue	Up to 5% of size of the Issue
Basis of Allocation if respective category is oversubscribed (subject to sectoral cap and specified investment limits)	Proportionate as follows: (a) Equity Shares shall be allocated on a proportionate basis to Mutual Funds in the Mutual Funds Portion; (b) Equity Shares shall be allocated on a proportionate basis to all QIBs including Mutual Funds receiving allocation as per (a) above.	Proportionate	Proportionate	Proportionate
Minimum Bid	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000 and in multiples of 6 Equity Shares.	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000 and in multiples of 6 Equity Shares.	6 Equity Shares and in multiples of 6 Equity Shares.	6 Equity Shares and in multiples of 6 Equity Shares.
Maximum Bid	Such number of Equity Shares not exceeding the Net Issue, subject to applicable limits.	Such number of Equity Shares not exceeding the Net Issue subject to applicable limits.	Such number of Equity Shares whereby the Bid Amount does not exceed Rs. 100,000, net of Retail Discount.	Such number of Equity Shares such that the Bid Amount does not exceed Rs. 100,000, net of Retail Discount.
Mode of Allotment	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form
Bid Lot	6 Equity Shares and multiples thereof	6 Equity Shares and multiples thereof	6 Equity Shares and multiples thereof	6 Equity Shares and multiples thereof

	QIBs	Non-Institutional Bidders	Retail Bidders	Existing Retail Shareholders
Allotment lot	6 Equity Shares and in multiples of 1 Equity Share	6 Equity Shares and in multiples of 1 Equity Share	6 Equity Shares and in multiples of 1 Equity Share	6 Equity Shares and in multiples of 1 Equity Share
Trading Lot	One Equity Share	One Equity Share	One Equity Share	One Equity Share
Who can Apply**	■ Public financial institutions, as specified in Section 4A of the Companies Act ■ Scheduled commercial banks, venture capital funds registered with SEBI ■ State Industrial Development Corporations, permitted insurance companies registered with the Insurance Regulatory and Development Authority ■ Provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million in accordance with applicable law ■ Mutual Funds registered with SEBI, ■ Foreign institutional investors registered with SEBI, ■ Foreign venture capital investors registered with SEBI, multilateral and bilateral development financial institutions.	Resident Indian individuals, NRIs, HUF (in the name of Karta), companies, bodies corporate, scientific institutions societies and trusts.	Individuals, including NRIs and HUF (in the name of Karta), such that the Bid Amount does not exceed Rs. 100,000.	Existing Retail Shareholders as on June 13, 2007
Terms of Payment	Margin Amount applicable to QIB Bidders shall be payable at the time of submission of Bid-cum-Application Form to the members of the Syndicate.	Margin Amount applicable to Non-Institutional Bidders at the time of submission of Bid-cum-Application Form to the members of the Syndicate.	Margin Amount applicable to Retail Bidders at the time of submission of Bid-cum-Application Form to the members of the Syndicate.	Margin Amount applicable to Retail Bidders at the time of submission of Bid-cum-Application Form to the members of the Syndicate.
Margin Amount	At least 10% of the Bid Amount on bidding in accordance with the relevant Payment Method.	Full Bid Amount on bidding in accordance with the relevant Payment Method.	Full Bid Amount on bidding in accordance with the relevant Payment Method.	Full Bid Amount on bidding in accordance with the relevant Payment Method.

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	QIBs	Non-Institutional Bidders	Retail Bidders	Existing Retail Shareholders
Amount per Equity Share[#] (Rs.)				
Payment Method 1				
On submission of the Bid-cum-Application Form	10% of Bid Amount	Rs. 250	Rs. 250	Rs. 250
CAN	Rs. 250 Less QIB Margin Amount	-	-	-
On first Call Notice ^{##}	Balance Amount Payable	Balance Amount Payable	Rs. 250	Rs. 250
On second Call Notice	-	-	Balance Amount Payable less Retail Discount	Balance Amount Payable less Retail Discount
Payment Method 2				
Payable on submission of the Bid-cum-Application Form	10% of the Bid Amount	100% of the Bid Amount	100% of the Bid Amount less Retail Discount	100% of the Bid Amount less Retail Discount

* Subject to valid Bids being received at or above the Issue Price. Undersubscription, if any, in the Reservation for Existing Retail Shareholders, would first be allowed to be met with spill over from the Retail Portion and thereafter from any of the other categories, at our discretion, in consultation with the BRLMs and CBRLMs. Undersubscription, if any, in either the Retail Portion or Non Institutional Portion shall be met from the spill over from the other category in the first instance and thereafter it shall be added to the QIB Portion and shall be allocated in the same manner as set out in "Issue Procedure – Basis of Allocation" on page 406. If the aggregate demand by Mutual Funds is less than Rs. 2,078.1 million (assuming QIB Portion is 50% of the Net Issue size, i.e. 44,215,426 Equity Shares), the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the balance QIB Portion and be allocated proportionately to the QIB Bidders. In the event that the aggregate demand in the QIB Portion has not been met, it would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Bank, in consultation with the BRLMs and the CBRLMs. In the event that the demand in any category is not met as per the procedure set out above, the same shall be met with the spill over from any other category or combination of categories at the discretion of our Bank in consultation with the BRLMs and CBRLMs.

** In case the Bid-cum-Application Form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and are in the same sequence in which they appear in the Bid-cum-Application Form.

The Bank, in consultation with the BRLMs and the CBRLMs, may decide to allot the Equity Shares to Existing Retail Shareholders and Retail Bidders at a differential lower price as compared to the price for QIBs and Non Institutional Bidders. The price payable by the Existing Retail Shareholders and Retail Bidders shall be Rs. 890 per Equity Share which is at a 5.3% discount compared to the Issue Price for the QIBs and Non Institutional Bidders or at such discount decided by the Bank in consultation with the BRLMs and the CBRLMs which shall be notified before the Bid/Issue Opening Date. Such differential amount shall be adjusted against the Amount Payable on Call or be refunded to the Existing Retail Shareholders and Retail Bidders as the case may be.

Bidders opting for Payment Method 1 shall be required to make the payment of the Balance Amount Payable by the Due Date for payment of Balance Amount Payable. For such Balance Amount Payable:

- (i) in case of QIBs and Non-Institutional Bidders, a Call Notice shall be issued by the Bank on the date of Allotment; and
- (ii) in case of Retail Bidders, two Call Notices shall be issued by the Bank, first on the date of Allotment and the second within a period for 6 months from the date of Allotment.

We may exercise the option to adjust the excess amount received on submission of the Bid-cum-Application Form towards either amount payable on Call Notice or on CANs.

As per Chapter VIIIA of the SEBI Guidelines, the Green Shoe Option will be utilized for stabilising the post-listing price of the Equity Shares. We have appointed DSPML as the Stabilizing Agent. The Green Shoe Option consists of the option to over allot up to 14,197,011 Equity Shares of Rs. 10 each at a price of Rs. 940.0 per Equity Share for Non-Institutional and QIB Bidders and Rs. 890.0 for Existing Retail Shareholders and Retail Bidders aggregating Rs. 13,125.0 million representing 15% of the Issue, exercisable during the period commencing from the date of obtaining trading permission from the Stock Exchanges for the Equity Shares of the Bank and ending 30 days thereafter, unless terminated earlier by the Stabilizing Agent. The Green Shoe Option will be exercised at the discretion of the BRLMs, the CBRLMs and the Bank only with respect to Equity Shares that are owned by Life Insurance Corporation of India. Life Insurance Corporation of India as the Green Shoe Lender has agreed to lend 14,197,011 Equity Shares to the Stabilising Agent, in the event that the Green Shoe Option is exercised by Stabilising Agent. Please note, the total number of Equity Shares issued may be required to be adjusted inter alia for the Rs. 50.0 discount to be offered to Existing Retail Shareholders and Retail Bidders, pursuant to completion of Book Building Process.

Withdrawal of the Issue

The Bank, in consultation with the BRLMs and the CBRLMs, reserves the right not to proceed with the Issue at any time including after the Bid / Issue Closing Date but prior to Allotment without assigning any reason thereof.

Bidding/ Issue Programme

BID/ISSUE OPENED ON	TUESDAY, JUNE 19, 2007
BID/ISSUE CLOSED ON	FRIDAY, JUNE 22, 2007

ISSUE PROCEDURE

Book Building Procedure

The Issue is being made through the 100% Book Building Process wherein 5% of the Issue will be available for allocation on a proportionate basis to the Existing Retail Shareholders, up to 50% of the Net Issue shall be available for allocation on a proportionate basis to QIBs, wherein up to 5% of the QIB Portion which shall be available for allocation to Mutual Funds only. Further, not less than 35% of the Net Issue shall be available for allocation on a proportionate basis to the Retail Bidders and not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the Syndicate. Our Bank, in consultation with the BRLMs and the CBRLMs, may reject any Bid procured from QIBs, by any or all members of the Syndicate, for reasons to be recorded in writing provided that such rejection shall be made at the time of acceptance of the Bid and the reasons therefore shall be disclosed to the Bidders. In case of Existing Retail Shareholder Bidders, Non-Institutional Bidders and Retail Bidders, our Bank would have a right to reject the Bids only on technical grounds.

Investors should note that the Equity Shares would be allotted to all successful Bidders only in the dematerialised form. Bidders will not have the option of getting allotment of the Equity Shares in physical form. The Equity Shares on allotment shall be traded only in the dematerialised segment of the Stock Exchanges.

Bid-cum-Application Form

Bidders shall only use the specified Bid-cum-Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of the Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid-cum-Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, dispatch of the CAN, and filing of the Prospectus with the RoC, the Bid-cum-Application Form shall be considered as the Application Form. Upon completing and submitting the Bid-cum-Application Form to a member of the Syndicate, the Bidder is deemed to have authorised our Bank to make the necessary changes in this Prospectus and the Bid-cum-Application Form as would be required for filing the Prospectus with the ROC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid-cum-Application Form for various categories, is as follows:

Category	Colour of Bid-cum-Application Form
Indian public, NRIs applying on a non-repatriation basis	White form with blue strips
Non-Residents, NRIs or FIIs applying on a repatriation basis	Light blue form with dark blue strips
Existing Retail Shareholders	Light orange form with maroon strips

Who can Bid

1. Indian nationals resident in India who are majors, in single or joint names (not more than three);
2. Hindu Undivided Families or HUFs in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid-cum-Application Form as follows: "Name of Sole or First Bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta". Bids by HUFs would be considered at par with those from individuals;
3. FIIs registered with SEBI;
4. Insurance companies registered with the Insurance Regulatory and Development Authority, India;
5. As permitted by the applicable laws, provident funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to invest in equity shares;
6. Pension funds with a minimum corpus of Rs. 250 million and who are authorised under their constitution to invest in equity shares;
7. Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in equity shares;

8. Mutual Funds registered with SEBI;
9. Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to the RBI regulations and the SEBI guidelines and regulations, as applicable);
10. Venture Capital Funds and Foreign Venture Capital Investors registered with SEBI;
11. Multilateral and bilateral development financial institutions;
12. State Industrial Development Corporations;
13. Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts/societies and who are authorised under their constitution to hold and invest in equity shares;
14. Eligible Non-Residents including NRIs and FIIs on a repatriation basis or a non-repatriation basis subject to applicable laws. **Non-Residents can Bid for partly paid Equity Shares only if they have obtained the approval of the RBI to subscribe to partly paid Equity Shares and the said approval is submitted along with the Bid-cum-Application Form;** and
15. Scientific and/or industrial research organisations authorised to invest in equity shares.

Participation by associates of BRLMs, CBRLMs and Syndicate Members

The BRLMs, CBRLMs, and the Syndicate Members shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligations. However, associates and affiliates of the BRLMs, CBRLMs, and Syndicate Members may subscribe for Equity Shares in the Issue, including in the QIB Portion and Non-Institutional Portion where the allocation is on a proportionate basis. Such bidding and subscription may be on their own account or their clients' account.

Application by Mutual Funds

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Fund Portion. In the event that the aggregate demand is greater than Rs. 2,078.1 million, allocation shall be made to Mutual Funds proportionately, to the extent of the Mutual Fund Portion. The remaining demand by the Mutual Funds shall, as part of the aggregate demand by QIBs, be available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Fund Portion.

As per the current regulations, the following restrictions are applicable for investments by mutual funds:

No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No Mutual Fund under all its schemes should own more than 10% of any company's paid-up share capital carrying voting rights.

In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

Bids by NRIs

Bid-cum-Application Forms have been made available for NRIs at our Corporate Office, members of the Syndicate and the Registrar to the Issue.

NRI Bidders may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for Allotment. NRIs who intend to make payment through Non-Resident Ordinary ("NRO") accounts shall use the form meant for Resident Indians.

NRIs can Bid for partly paid Equity Shares if they have obtained the approval of the RBI to subscribe to partly paid Equity Shares and the said approval is submitted along with the Bid-cum-Application Form.

Application by FIIs

As per the current regulations, the following restrictions are applicable for investments by FIIs:

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The issue of Equity Shares to a single FII shall not exceed 10% of our post-Issue issued capital. In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of our total issued capital in case such sub-account is a foreign corporate or an individual. As of now, in accordance with the foreign investment limits applicable to us, the total FII investment cannot exceed 49% of our total equity share capital.

FIIs can Bid for partly paid Equity Shares if they have obtained the approval of the RBI to subscribe to partly paid Equity Shares and the said approval is submitted along with the Bid-cum-Application Form.

Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals in terms of Regulation 15A(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulations 1995, as amended, an FII or its sub-account, including any affiliate or associate of any book running lead manager or syndicate member, may issue, deal in or hold, off shore derivative instruments such as participatory notes, equity-linked notes or any other similar instruments against underlying securities listed or proposed to be listed in any stock exchange in India only in favor of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of "know your client" requirements. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity.

Application by SEBI registered Venture Capital Funds and Foreign Venture Capital Investors

The SEBI (Venture Capital) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI, respectively. Accordingly, the holding by any individual venture capital fund or foreign venture capital investor registered with SEBI should not exceed the limits prescribed under these regulations.

FVCIs can Bid for the partly paid Equity Shares if they have obtained the approval of the RBI to subscribe to partly paid Equity Shares and the said approval is submitted along with the Bid-cum-Application Form.

The above information is given for the benefit of the Bidders. The Bank, the BRLMs and the CBRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of the Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.

Maximum and Minimum Bid Size

- (a) **For Bidders in the Existing Retail Shareholder Reservation Portion:** The Bid must be for a minimum of 6 Equity Shares and in multiples of 6 Equity Shares thereafter. The maximum Bid in this portion cannot exceed Rs. 100,000 net of Retail Discount, if any. Bidders in the Existing Retail Shareholders Reservation Portion applying for a maximum Bid in any of the Bidding Options not exceeding Rs. 100,000 may Bid at 'Cut-Off Price'. The Bank, in consultation with the BRLMs and the CBRLMs, may decide to allot the Equity Shares to Existing Retail Shareholder at a differential lower price as compared to the price for QIBs and Non Institutional Bidders. The price payable by the Existing Retail Shareholder shall be Rs. 890 per Equity Share which is at a 5.3% discount compared to the Issue Price for the QIBs and Non Institutional Bidders or at such discount decided by the Bank in consultation with the BRLMs and the CBRLMs which shall be notified before the Issue Opening Date. Such differential amount shall be adjusted against the Amount Payable on Call or be refunded to the Existing Retail Shareholder as the case may be.
- (b) **For Retail Bidders:** The Bid must be for a minimum of 6 Equity Shares and in multiples of 6 Equity Shares thereafter and it must be ensured that the Bid Amount payable by the Bidder does not exceed Rs. 100,000 net of Retail Discount, if any. In case of revision of Bids, the Retail Bidders have to ensure that the Bid Amount does not exceed Rs. 100,000. In case the Bid Amount is over Rs. 100,000 due to revision of the Bid or revision of the Price Band or on exercise of option to Bid at Cut-off Price, the Bid would be considered for allocation under the Non Institutional Portion. The option to bid at Cut-off Price is an option given only to the Retail Bidders indicating their agreement to Bid and purchase at the final Issue Price as determined at the end of the Book Building Process. The Bank, in consultation with the BRLMs and the CBRLMs, may decide to allot the Equity Shares to Retail Bidders at a differential lower price as compared to the price for QIBs and Non Institutional Bidders. The price payable by the Retail Bidders shall be Rs. 890 per Equity Share which is at a 5.3% discount compared to the Issue Price for the QIBs and Non Institutional Bidders or at such discount decided by the Bank in consultation with the BRLMs and the CBRLMs which shall be notified before the Bid/Issue Opening Date.

Such differential amount shall be adjusted against the Amount Payable on Call or be refunded to the Retail Bidders as the case may be.

- (c) **For Non-Institutional Bidders and QIB Bidders:** The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of 6 Equity Shares. A Bid cannot be submitted for more than the Net Issue size. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. Under existing SEBI Guidelines, a QIB Bidder cannot withdraw its Bid after the Bid /Issue Closing Date.

In case of revision in Bids, the Non Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs. 100,000 for being considered for allocation in the Non Institutional Portion. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non Institutional Bidders and QIB Bidders are not entitled to the option of bidding at Cut-off Price.

Bidders should refer to the section "Key Features of the Payment Method" on page 399.

Information for the Bidders:

- (a) We filed the Red Herring Prospectus with the ROC at least three days before the Bid /Issue Opening Date.
- (b) The members of the Syndicate circulated copies of the Red Herring Prospectus along with the Bid-cum-Application Form to potential investors.
- (c) Any investor (who is eligible to invest in our Equity Shares) who would like to obtain the Red Herring Prospectus and/or the Bid-cum-Application Form can obtain the same from our Registered Office or from any of the members of the Syndicate and should approach any of the BRLMs or the CBRLMs or Syndicate Member or their authorized agent(s) to register their Bids.
- (d) The Bids should be submitted on the prescribed Bid-cum-Application Form only. Bid-cum-Application Forms should bear the stamp of a member of the Syndicate. Bid-cum-Application Forms, which do not bear the stamp of a member of the Syndicate will be rejected.

No Bidder under this Issue should rely on the offer document filed under the ADS Offering for the purpose of making an application under this Issue. All Residents are prohibited from participating in the ADS Offering.

Method and Process of Bidding

- (a) We, the BRLMs and the CBRLMs shall declare the Bid /Issue Opening Date and the Bid /Issue Closing Date at the time of filing the Red Herring Prospectus with RoC and also publish the same in an English national newspaper, a Hindi national newspaper and a regional language newspaper. This advertisement shall contain the minimum disclosures as specified under Schedule XX-A of the SEBI Guidelines. The Syndicate Members shall accept Bids from the Bidders during the Issue Period in accordance with the terms of the Syndicate Agreement.
- (b) Investors who are interested in subscribing to our Equity Shares should approach any of the members of the Syndicate or their authorised agent(s) to register their Bid.
- (c) The Bidding Period shall be a minimum of three working days and shall not exceed seven working days. In case the Price Band is revised, the revised Price Band and Bidding Period will be published in an English national newspaper with wide circulation, a Hindi national newspaper with wide circulation and a Vadodara edition of a regional language newspaper and the Bidding Period may be extended, if required, by an additional three days, subject to the total Bidding Period not exceeding 10 working days.
- (d) Each Bid-cum-Application Form will give the Bidder the choice to bid for up to three optional prices (for details please see section titled "Issue Procedure - Bids at Different Price Levels" beginning on page 386) within the Price Band and specify the demand (i.e. the number of Equity Shares bid for) in each option. The price and demand options submitted by the Bidder in the Bid-cum-Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.

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- (e) The Bidder cannot Bid on another Bid-cum-Application Form after Bids on one Bid-cum-Application Form have been submitted to any member of the Syndicate. Submission of a second Bid-cum-Application Form to either the same or to another member of the Syndicate will be treated as multiple Bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the section titled "Issue Procedure - Build up of the Book and Revision of Bids" beginning on page 390.
- (f) The Syndicate Members will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip ("TRS"), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid-cum-Application Form.
- (g) During the Bidding Period, Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients/investors who place orders through them and shall have the right to vet the Bids, subject to the terms of the Red Herring Prospectus.
- (h) Along with the Bid-cum-Application Form, all Bidders will make payment in the manner described under the paragraph titled "Issue Procedure - Terms of Payment" beginning on page 387.
- (i) In case of QIB Bidders, members of the Syndicate also have the right to accept the Bid or reject it. However, such rejection should be made at the time of receiving the Bid and only after assigning a reason for such rejection in writing. In case an Non-Institutional Bidders and Retail Bidders who Bid, Bids would not be rejected except on the technical grounds listed on page 403.

Bids at different price levels

- (a) The Price Band and the minimum Bid lot size for the Issue will be decided by us in consultation with the BRLMs and the CBRLMs and advertised at least one day prior to the Bid/Issue Opening Date in an English national newspaper, a Hindi national newspaper and a Vadodara Edition of a regional language newspaper.
- (b) The Price Band was fixed at Rs. 885 to Rs. 950 per Equity Share of Rs. 10 each, Rs. 885 being the Floor Price and Rs. 950 being the Cap Price.
- (c) In accordance with the SEBI Guidelines, our Bank reserves the right to revise the Price Band during the Bidding Period. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band.
- (d) In case of revision in the Price Band, the Issue Period will be extended for three additional days after revision of Price Band subject to a maximum of 10 working days. Any revision in the Price Band and the revised Bidding /Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a public notice in two national newspapers (one each in English and Hindi) and a regional newspaper, and also by indicating the change on the websites of the BRLMs, and the CBRLMs and at the terminals of the members of the Syndicate.
- (e) We in consultation with the BRLMs and the CBRLMs can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation to, the Bidders.
- (f) The Bidder can Bid at any price within the Price Band. The Bidder has to Bid for the desired number of Equity Shares at a specific price. Existing Retail Shareholders and Retail Bidders may Bid at Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB Bidders and Non Institutional Bidders in excess of Rs. 100,000 and such Bids from QIBs and Non Institutional Bidders shall be rejected.
- (g) Existing Retail Shareholders and Retail Bidders who Bid at Cut-off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Existing Retail Shareholders and Retail Bidders bidding at Cut-Off Price shall deposit the Bid Amount based on the Payment Method selected by the Bidder in the Escrow Account. The Bidders shall receive the refund of the excess amounts from the refund account as applicable.
- (h) In case of an upward revision in the Price Band announced as above, Existing Retail Shareholders and Retail Bidders who have Bid at Cut-off Price can revise their Bid. Bidders shall make additional payment based on the cap of the revised Price Band (such that the total amount i.e. original Bid Amount plus additional payment does not exceed Rs. 100,000 if the Bidder wants to continue to Bid at Cut-off Price), with the Syndicate Member to

whom the original Bid was submitted. In case the total amount (i.e. original Bid Amount plus additional payment) exceeds Rs. 100,000, the Bid will be considered for allocation under the Non-Institutional Portion in terms of this Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band prior to revision, the number of Equity Shares Bid for shall be adjusted downwards for the purpose of Allotment, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.

- (i) In case of a downward revision in the Price Band, announced as above, Existing Retail Shareholders and Retail Bidders who have Bid at Cut-off Price, could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the refund account.
- (j) In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain 6 Equity Shares irrespective of whether the Bid Amount payable on such minimum application is not in the range of Rs. 5,000 to Rs. 7,000.

Application in the Issue

Equity Shares being issued through the Red Herring Prospectus can be applied for in the dematerialized form only.

Escrow Mechanism

We shall open Escrow Accounts with one or more Escrow Collection Banks in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the Bid Amount (as applicable to the Payment Method opted by the Bidder) from Bidders in a certain category would be deposited in the Escrow Account. The Escrow Collection Banks will act in terms of the Red Herring Prospectus and the Escrow Agreement. The monies in the Escrow Account shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Public Issue Account as per the terms of the Escrow Agreement. Payments of refund to the Bidders shall also be made from the refund account as per the terms of the Escrow Agreement and the Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between us, the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Accounts

Each Bidder, shall pay the applicable Margin Amount, with the submission of the Bid-cum-Application Form draw a cheque or demand draft for the maximum amount of his/ her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) (for details please see the section titled "Issue Procedure - Payment Instructions" beginning on page 397) and submit the same to the member of the Syndicate to whom the Bid is being submitted. Bid-cum-Application Forms accompanied by cash shall not be accepted. The maximum Bid price has to be paid at the time of submission of the Bid-cum-Application Form based on the highest bidding option of the Bidder.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold the monies for the benefit of the Bidders till the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the size of the Issue from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account of the Bank with the Banker(s) to the Issue. The balance amount after transfer to the Public Issue Account of the Bank shall be transferred to the refund account for the benefit of the Bidders who are entitled to refunds on the Designated Date, and no later than 15 days from the Bid /Issue Closing Date, the Escrow Collection Bank(s) shall refund all monies to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allotment to the Bidders.

Subject to the relevant Payment Method, each category of Bidders i.e. QIB Bidders, Non Institutional Bidders, Existing Retail Shareholders and Retail Bidders would be required to pay their applicable Margin Amount at the time of the submission of the Bid-cum-Application Form. The Margin Amount payable by each category of Bidders is mentioned in the section titled "Issue Structure" beginning on page 378.

Where the Bidder has been allocated lesser number of Equity Shares than he or she had Bid for, the excess amount paid on bidding, if any, after adjustment for allotment, will be refunded to such Bidder within 15 days from the Bid /Issue Closing Date, failing which we shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.

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Illustrations of Payment Methods:

An illustrative table of the two Payment Methods is provided herein:

A) ILLUSTRATION OF THE PAYMENT METHODS AVAILABLE TO THE INVESTORS FOR APPLYING IN THIS ISSUE ARE AS FOLLOWS:

THIS ILLUSTRATION IS FOR THE BENEFIT OF THE INVESTORS AND SHOULD NOT INDICATIVE OF THE ISSUE PRICE.

ASSUMPTIONS:

- ISSUE PRICE RS. 400 PER EQUITY SHARE
- DISCOUNT OF RS. 20 TO RETAIL BIDDERS INCLUDING EXISTING RETAIL SHAREHOLDERS

For Existing Retail Shareholders and Retail Bidders

Under Payment Method-1, Rs. 100 is payable on submission of the Bid-cum-Application Form, Rs. 100 by Due Date for payment of Balance Amount Payable on issue of Call Notice on Allotment and the balance on issue of second Call Notice within 6 months of date of allotment.

Under Payment Method – 1, Rs. 9.00 is towards face value and Rs. 91 is towards premium in case of Retail Bidders and Existing Retail Shareholders.

Amount Payable*	Payment Method-1			Payment Method-2**		
(Rs.)	Face Value	Premium	Total (per share)	Face Value	Premium	Total
On submission of the Bid-cum-Application Form	9.00	91.00	100.00	10.00	370.00	380.00
By Due Date for payment of Balance Amount Payable on Allotment (first Call Notice)	0.25	99.75	100.00	-	-	-
By Due Date for payment of Balance Amount Payable on second Call Notice (within six months of date of Allotment)	0.75	179.25	180.00	-	-	-
Total	10.00	370.00	380.00	10.00	370.00	380.00

* The Bank, in consultation with the BRLMs and the CBRLMs may decide to allot the Equity Shares to Existing Retail Shareholders and Retail Bidders at a differential lower price as compared to the price for QIBs and Non Institutional Bidders. The price payable by the Existing Retail Shareholders and Retail Bidders in this illustration is Rs. 380 per Equity Share, which is at a discount of Rs. 20 (in this illustration) compared to the Issue Price for the QIBs and Non Institutional Bidders. The discount, if any shall be decided by the Bank in consultation with the BRLMs and the CBRLMs and shall be notified before the Bid / Issue Opening Date. Such differential amount shall be adjusted against the Balance Amount Payable or be refunded to the Existing Retail Shareholders and Retail Bidders as the case may be.

** In the event the Bank decides to allot the Equity shares at a discount to Existing Retail Shareholders and Retail Bidders, such differential amount shall be refunded to such Bidders who chose Payment Method 2.

For Non-Institutional Bidders

Under Payment Method-1, Rs. 100 is payable on submission of the Bid-cum-Application Form and the balance by Due Date for payment of Balance Amount Payable on issue of Call Notice on Allotment.

Under Payment Method – 1, Rs. 9.50 is towards face value and Rs. 90.50 is towards premium in case of Non-Institutional Bidders.

Amount Payable*	Payment Method-1			Payment Method-2**		
(Rs.)	Face Value	Premium	Total (per share)	Face Value	Premium	Total
On submission of Bid-cum-Application Form	9.50	90.50	100.00	10.00	390.00	400.00
By Due Date for payment of Balance Amount Payable on Allotment (Call Notice)	0.50	299.50	300.00	-	-	-
Total	10.00	390.00	400.00	10.00	390.00	400.00

For QIB Bidders

Under Payment Method-1, Rs. 40 (10% of the Issue Price) is payable on submission of Bid-cum-Application Form, Rs. 60 on receipt of CAN and the balance by Due Date for payment of Balance Amount Payable on issue of Call Notice on Allotment.

Under Payment Method – 1. Rs. 9.50 (paid at the time of making the Bid and upon receipt of CAN) is towards face value and Rs. 90.50 is towards premium in case of QIB Bidders.

Amount Payable*	Payment Method-1			Payment Method-2**		
(Rs.)	Face Value	Premium	Total (per share)	Face Value	Premium	Total
On submission of the Bid-cum-Application Form	9.50	30.50	40.00	10.00	30.00	40.00
On receipt of CAN	-	60.00	60.00	-	360.00	360.00
By Due Date for payment of Balance Amount Payable on Allotment	0.50	299.50	300.00	-	-	-
Total	10.00	390.00	400.00	10.00	390.00	400.00

We may exercise the option to adjust the excess amount received on submission of the Bid-cum-Application Form towards either amount payable on Call Notice or on CANs.

Electronic registration of Bids

- The Syndicate Members will register the Bids using the on-line facilities of NSE and BSE. There will be at least one on-line connectivity in each city, where a stock exchange is located in India and where Bids are being accepted.
- NSE and BSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the Syndicate Members and their authorised agents during the Bidding/Issue Period. The Syndicate Members can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently download the off-line data file into the on-line facilities for book building on a regular basis. On the Bid /Issue Closing Date, the Syndicate Members shall upload the Bids till such time as may be permitted by the Stock Exchanges.
- The aggregate demand and price for Bids registered on the electronic facilities of the BSE and the NSE will be downloaded on a regular basis, consolidated and displayed on-line at the websites of NSE (www.nseindia.com) and BSE (www.bseindia.com). A graphical representation of consolidated demand and price would be made available at the websites of NSE (www.nseindia.com) and BSE (www.bseindia.com) during the bidding period.
- At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:
 - Name of the investor (Investors should ensure that the name given in the Bid-cum-Application Form is exactly the same as the name in which the Depository Account is held. In case, the Bid-cum-Application Form is submitted in joint names, investors should ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid-cum-Application Form);

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- Investor category – individual, corporate, NRI, FII, or Mutual Fund etc.;
 - Numbers of Equity Shares bid for;
 - Bid price;
 - Bid-cum-Application Form number;
 - Whether payment is made upon submission of Bid-cum-Application Form;
 - Margin Amount; and
 - Depository participant identification no. and client identification no. of the beneficiary account of the Bidder.
- (e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. **It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate.** The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or our Bank.
- (f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- (g) It is to be distinctly understood that the permission given by NSE and BSE to use their network and software of the Online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Bank or the BRLMs and the CBRLMs are cleared or approved by NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Bank, our management or any scheme or project of our Bank.
- (h) The members of the Syndicate have the right to review the Bid. The members of the Syndicate have the right to reject a Bid received from a QIB at the time of receipt of the Bids. However, the Syndicate Member shall disclose the reason for not accepting the Bid to the Bidder. In the case of Non-Institutional, Existing Retail Shareholders and Retail Bidders, Bids shall not be rejected except on technical grounds.
- (i) It is also to be distinctly understood that the approval given by NSE and BSE should not in any way be deemed or construed that this Prospectus has been cleared or approved by NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Prospectus; nor does it warrant that our Equity Shares will be listed or will continue to be listed on NSE and BSE.

Build up of the book and revision of Bids

- (a) Bids registered by various Bidders through the Syndicate Members shall be electronically transmitted to NSE or BSE mainframe on a regular basis.
- (b) The book gets built up at various price levels. This information will be available with the BRLMs and the CBRLMs on a regular basis.
- (c) During the Bidding /Issue Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form which is a part of the Bid-cum-Application Form.
- (d) Revisions can be made in both the desired number of Equity Shares and the Bid price by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her Bid-cum-Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid-cum-Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being changed in the Revision Form. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.
- (e) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid. **Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.**

- (f) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of the Red Herring Prospectus. In case of QIB Bidders, the members of the Syndicate shall collect the payment in the form of cheque or demand draft for the incremental amount in the Margin Amount, if any, to be paid on account of upward revision of the Bid at the time of one or more revisions by the QIB Bidders.
- (g) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**
- (h) Only Bids that are uploaded on the online IPO system of NSE and BSE shall be considered for allocation. In case of discrepancy of data between NSE or BSE and the members of the Syndicate, the decision of the BRLMs and the CBRLMs, based on the physical records of Bid-cum-Application Forms, shall be final and binding on all concerned.
- (i) While revising the Bid, the Bidder shall not change the Payment Method indicated originally.

Price discovery and Allocation

- (a) After the Bid /Issue Closing Date, the BRLMs and the CBRLMs will analyse the demand generated at various price levels and discuss pricing strategy with us.
- (b) Our Bank in consultation with the BRLMs and the CBRLMs, shall finalise the "Issue Price", the number of Equity Shares to be allotted in investor portion
- (c) The allocation under the Existing Retail Shareholders Portion for up to 5% of the Issue would be on proportionate basis, in the manner specified in the SEBI Guidelines, in consultation with Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price. The allocation to Non-Institutional Bidders and Retail Bidders of not less than 15% and 35% of the Net Issue respectively, and the allocation to QIBs for not less than 50% of the Net Issue, would be on proportionate basis, in the manner specified in the SEBI Guidelines, subject to the sectoral cap and this Prospectus, in consultation with Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.
- (d) Up to 5% of the QIB Portion shall be available for allocation proportionately to Mutual Funds only.
- (e) Undersubscription, if any, in the Reservation for Existing Retail Shareholders, would first be allowed to be met with spill over from the Retail Portion and thereafter from any of the other categories, at our discretion, in consultation with the BRLMs and CBRLMs. Under-subscription, if any, in either the Retail Portion or Non Institutional Portion shall be met from the spill over from the other category in the first instance and thereafter it shall be added to the QIB Portion and shall be allocated in the same manner as set out in "Issue Procedure – Basis of Allocation" on page 406. If the aggregate demand by Mutual Funds is less than Rs. 2,078.1 million (assuming QIB Portion is 50% of the Net Issue size, i.e. 44,215,426 Equity Shares), the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the balance QIB Portion and be allocated proportionately to the QIB Bidders. In the event that the aggregate demand in the QIB Portion has not been met, it would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Bank, in consultation with the BRLMs and the CBRLMs. In the event that the demand in any category is not met as per the procedure set out above, the same shall be met with the spill over from any other category or combination of categories at the discretion of our Bank in consultation with the BRLMs and CBRLMs.
- (f) The BRLMs and the CBRLMs, in consultation with us, shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.
- (g) Allocation to Non-Residents applying on repatriation basis will be subject to the applicable law.
- (h) We reserve the right to cancel the Issue any time after the Bid /Issue Opening Date but before the Allotment without assigning any reasons whatsoever.
- (i) In terms of the SEBI Guidelines, QIBs shall not be allowed to withdraw their Bid after the Bid /Issue Closing Date.

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Signing of Underwriting Agreement and ROC Filing

- (a) Our Bank, the BRLMs, the CBRLMs and the Syndicate Members shall enter into an Underwriting Agreement on finalisation of the Issue Price and allocation(s) to the Bidders.
- (b) After signing the Underwriting Agreement, we would update and file the updated Red Herring Prospectus with ROC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price and Issue size and would be complete in all material respects.

Advertisement regarding Issue Price and Prospectus

A statutory advertisement will be issued by our Bank after the filing of the Prospectus with the RoC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Notice to QIBs: Allotment Reconciliation

After the Bid/Issue Closing Date, an electronic book will be prepared by the Registrar on the basis of Bids uploaded on the NSE/BSE system. Based on the electronic book, QIBs may be sent a CAN, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the reconciled book prepared by the Registrar. Subject to SEBI Guidelines, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange. As a result, a revised CAN may be sent to QIBs, and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. The revised CAN, if issued, will supersede in its entirety the earlier CAN.

Issuance of CAN

- (a) Upon approval of the basis of Allotment by the Designated Stock Exchange, the BRLMs, the CBRLMs or the Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Issue. The approval of the basis of allocation by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of allocation for the Existing Retail Shareholders, Retail and Non-Institutional Bidders. However, subject to "Issue Procedure - Compliance with Foreign Ownership Norms for Private Sector Banks" on page 408, Bidders should note that the Bank shall ensure that the date of Allotment of the Equity Shares to all Bidders, in all categories, shall be done on the same date.
- (b) The BRLMs, the CBRLMs or the members of the Syndicate would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid into the Escrow Account at the time of bidding shall pay in full the amount payable into the Escrow Account by the Pay-in Date specified in the CAN.
- (c) Bidders who have been allocated Equity Shares and who have already paid into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of their cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be deemed as a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares to be allotted to such Bidder.
- (d) The issuance of a CAN is subject to the procedure set out in "Issue Procedure – Notice to QIBs: Allotment Reconciliation" above.

Designated Date and Allotment of Equity Shares

- (a) Our bank will ensure that the Allotment of Equity Shares is done within 15 days of the Bid /Issue Closing Date. After the funds are transferred from the Escrow Account to the Public Issue Account on the Designated Date, our Bank would ensure the credit to the successful Bidders' depository accounts of the allotted Equity Shares to the allottees within two working days of the date of Allotment.

- (b) As per the SEBI Guidelines, Equity Shares will be issued and allotted only in the dematerialised form to the allottees. Allottees will have the option to re-materialise the Equity Shares so allotted, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to this Issue.

GENERAL INSTRUCTIONS

Do's:

- a) Check if you are eligible to apply.
- b) Read all the instructions carefully and complete the Bid-cum-Application Form as the case may be.
- c) Ensure that the details about your Depository Participant and beneficiary account are correct as Equity Shares will be allotted in the dematerialized form only.
- d) Ensure that the Bids are submitted at the bidding centers only on forms bearing the stamp of a member of the Syndicate.
- e) Ensure that you have been given a TRS for all your Bid options.
- f) Submit Revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS.
- g) Where Bid(s) is/are for Rs. 50,000 or more, you or in the case of a Bid in joint names, each of the Bidders, should mention your/his/her Permanent Account Number (PAN) allotted under the IT Act. The copy of the PAN card or PAN allotment letter should be submitted with the Bid-cum-Application Form.
- h) If you have mentioned "Applied For" or "Not Applicable", in the Bid-cum-Application Form in the section dealing with PAN number, ensure that you submit Form 60 or 61, as the case may be, together with permissible documents as address proof.
- i) Ensure that the name(s) given in the Bid-cum-Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the Bid-cum-Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Bid-cum-Application Form.
- j) If you are a Non-Resident Bidder and have opted for Payment Method-1 (i.e, applying for partly paid Equity Shares), attach the RBI approval for subscribing to partly paid Equity Shares.
- k) Ensure that demographic details (as defined hereinbelow) are updated, true and correct in all respects.

Don'ts:

- (a) Do not Bid for lower than the minimum Bid size.
- (b) Do not Bid/revise Bid price to less than the lower end of the Price Band or higher than the higher end of the Price Band.
- (c) Do not Bid on another Bid-cum-Application Form after you have submitted a Bid to the members of the Syndicate.
- (d) Do not pay the Bid Amount in cash.
- (e) Do not send Bid-cum-Application Forms by post; instead submit the same to a member of the Syndicate only.
- (f) Do not Bid at Cut-off Price (for QIB Bidders and Non-Institutional Bidders).
- (g) Do not fill up the Bid-cum-Application Form such that the number of Equity Shares Bid for exceeds the Issue size and/or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations.
- (h) Do not submit Bids accompanied with Stockinvest.
- (i) Do not Bid for amount exceeding Rs. 100,000 (for Retail Bidders and Existing Retail Shareholders)

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- (j) Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.

INSTRUCTIONS FOR COMPLETING THE BID-CUM-APPLICATION FORM

Bidders can obtain Bid-cum-Application Forms and/or Revision Forms from the members of the Syndicate.

Bids and Revisions of Bids

Bids and revisions of Bids must be:

- (a) Made only in the prescribed Bid-cum-Application Form or Revision Form, as applicable.
- (b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid-cum-Application Form or in the Revision Form. Incomplete Bid-cum-Application Forms or Revision Forms are liable to be rejected.
- (c) The Bids from the Retail Bidders must be for a minimum of 6 Equity Shares and in multiples of 6 Equity Shares thereafter subject to a maximum Bid Amount of Rs. 100,000.
- (d) For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of 6 Equity Shares. Bids cannot be made for more than the Net Issue size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.
- (e) in single name or in joint names (not more than three and in the same order as in the Depository Participant details).
- (f) In the names of individuals or in the names of FIs or in the name of Foreign Venture Capital Fund, Multilateral and Bilateral Development Financial Institutions but not in the names of minors, firms or partnerships, foreign nationals (excluding NRIs) or their nominees or OCB's.
- (g) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Bids by Existing Retail Shareholders

1. Bids by Existing Retail Shareholders shall be made only in the prescribed pre-printed Bid-cum-Application Form or Revision Form.
2. Existing Retail Shareholders should mention their Registered Folio Number/DP and Client ID number at the relevant place in the Bid-cum-Application Form.
3. The sole/First Bidder should be an Existing Retail Shareholder. In case the Bid-cum-Application Form is submitted in joint names, it should be ensured that the Depository Account is also held in the same joint names and in the same sequence in which they appear in the Bid-cum-Application Form.
4. Only Existing Retail Shareholders of the Bank as on June 13, 2007 would be eligible to apply in this Issue under reservation for Existing Retail Shareholders on a competitive basis.
5. Existing Retail Shareholders will have to Bid like any other Bidder. Only those Bids, which are received at or above the Issue Price, would be considered for allotment under the Existing Retail Shareholders Reservation Portion.
6. The maximum Bid in this category can be for Rs. 100,000.
7. If the aggregate demand in this category is less than or equal to 4,915,731 Equity Shares at or above the price payable by the Existing Retail Shareholders, full allocation shall be made to the Existing Retail Shareholders to the extent of their demand.
8. If the aggregate demand in this category is greater than 4,915,731 Equity Shares at or above the price payable by the Existing Retail Shareholders, the allocation shall be made on a proportionate basis subject to a minimum of 6 Equity Shares. For the method of proportionate basis of allocation, refer to section titled "Issue Procedure - Basis of Allocation" on page 406.

9. **Bidding at Cut-off Price is allowed only for Existing Retail Shareholders whose Bid Amount is less than or equal to Rs 100,000.**
10. **Bids by Existing Retail Shareholders can also be made in the Net Issue and such Bids shall not be treated as multiple Bids.**

Bidder's bank details

Bidders should note that on the basis of name of the Bidders, Depository Participant's name and identification number and the beneficiary account number provided by them in the Bid-cum-Application Form, the Registrar to the Issue will obtain from the Depository the details of the Bidder's bank account, including the nine digit Magnetic Ink Character Recognition ("MICR") code as appearing on a cheque leaf. **These bank account details would be printed on the refund order, if any, to be sent to Bidders. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant.** Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk and neither the BRLMs, the CBRLMs, the Registrar, the Escrow Collection Bank(s) nor the Bank shall have any responsibility and undertake any liability for the same.

Bidder's depository account details

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THE EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID-CUM-APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID-CUM-APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID-CUM-APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID-CUM-APPLICATION FORM.

Bidders should note that on the basis of name of the Bidders, Depository Participant's name and identification number and beneficiary account number provided by them in the Bid-cum-Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders and occupation ("Demographic Details"). Hence, Bidders should carefully fill in their Depository Account details in the Bid-cum-Application Form.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/CANs/allocation advices and printing of bank particulars on the refund orders or for refunds through electronic transfer of funds, as applicable.

Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants and ensure that they are true and correct.

By signing the Bid-cum-Application Form, the Bidder would be deemed to have authorised the Depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Refund orders/allocation advices/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that receiving refunds through electronic transfer of funds, delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid-cum-Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the Escrow Collection Bank(s), nor our Bank, nor the BRLMs nor the CBRLMs shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary account number, then such Bids are liable to be rejected.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be

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furnished in the space provided for this purpose in the Bid-cum-Application Form. The Bank will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

Bids under Power of Attorney

In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the memorandum and articles of association and/or bye laws must be lodged along with the Bid-cum-Application Form. Failing this, our Bank reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of the Bids made pursuant to a power of attorney by FIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid-cum-Application Form. Failing this, our Bank reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of the Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid-cum-Application Form. Failing this, our Bank reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of the Bids made by provident funds, subject to applicable law, with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/pension fund must be lodged along with the Bid-cum-Application Form. Failing this, our Bank reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made by Mutual Funds registered with SEBI, venture capital fund registered with SEBI and foreign venture capital investor registered with SEBI, a certified copy of their SEBI registration certificate must be submitted with the Bid-cum-Application Form. Failing this, our Bank reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

We, in our absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid-cum-Application Form, subject to such terms and conditions that we/the BRLMs or the CBRLMs may deem fit.

We, in our absolute discretion, reserve the right to permit the holder of the power of attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the refund order/CANs/allocation advice / refunds through electronic transfer of funds, the Demographic Details given on the Bid-cum-Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use Demographic Details as given in the Bid-cum-Application Form instead of those obtained from the Depositories.

Bids by Non-Residents, NRIs and FIs on a repatriation basis

Bids and revision to the Bids must be made:

1. On the Bid-cum-Application Form or the Revision Form, as applicable, and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
2. In a single name or joint names (not more than three).
3. By FIs for a minimum of such number of Equity Shares and in multiples of 6 thereafter that the Bid Amount exceeds Rs. 100,000. For further details see section titled "Issue Procedure" on page 382 of this Prospectus.
4. NRIs for a Bid Amount of up to Rs. 100,000 would be considered under the Existing Retail Shareholders Portion and Retail Portion for the purposes of allocation and Bids for a Bid Amount of more than Rs. 100,000 would be considered under Non-Institutional Portion for the purposes of allocation; by other eligible Non-Resident Bidders for a minimum of such number of Equity Shares and in multiples of 6 thereafter that the Bid Amount exceeds Rs. 100,000. For further details please see section titled "Issue Procedure - Maximum and Minimum Bid Size" beginning on page 384.

5. In the names of individuals, or in the names of FII but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.
6. Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only, net of bank charges and/or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into U.S. Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their Non-Resident External (NRE) accounts, details of which should be furnished in the space provided for this purpose in the Bid-cum-Application Form. We will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

It is to be distinctly understood that there is no reservation for Non-Residents, NRIs and FIIs and all Non-Residents, NRI and FII Bidders will be treated on the same basis with other categories for the purpose of allocation.

Non-Residents can bid for partly paid Equity Shares only if they have obtained the approval of the RBI to subscribe to partly paid Equity Shares and the said approval is submitted along with the Bid-cum-Application Form

As per the existing policy of the government of India, OCBs cannot participate in this Issue.

The Red Herring Prospectus is not an offer of Equity Shares or ADSs or an invitation to subscribe to Equity Shares or ADSs to any person in any jurisdiction where it is unlawful to make such offer or invitation. Each purchaser of our Equity Shares in the Issue is deemed to have acknowledged, represented and agreed as follows:

- (1) It is not in the United States nor a U.S. person (as defined in Regulation S under the U.S. Securities Act of 1933, as amended).
- (2) The Equity Shares offered in the Indian public offering have not been registered under the Securities Act.
- (3) It is purchasing those Equity Shares in an offshore transaction meeting the requirements of Rule 903 of Regulation S.
- (4) Until the expiration of the "40-day distribution compliance period" within the meaning of Rule 903 of Regulation S, it shall not make any offer or sale of equity shares within the United States or to a U.S. person or for the account or benefit of a U.S. person (as defined in Regulation S), except in compliance with applicable securities laws.

investors will not be permitted to deposit Equity Shares into the ADR facility until 40 days after the later of (i) the date the securities are first offered to the public and (ii) the closing date for the offering. investors would have to comply with the procedures set out under Indian law for the deposit of Equity Shares in the ADR facility.

The equity shares may not be offered or sold in the United States absent registration or an exemption from registration. Any public offering or sale of ADSs in the United States will be registered and made by means of a U.S. prospectus that may be obtained from us when it becomes available and that will contain detailed information about us and our management, as well as consolidated financial statements prepared in accordance with Indian GAAP, with a reconciliation of net income and stockholders' equity to US GAAP. No money, securities, or other consideration is being solicited, and, if sent in response to the information contained herein, will not be accepted. We will file a registration statement in the United States for an offering of ADSs.

The Red Herring Prospectus may not be distributed or made available in the United States or any other jurisdiction outside India where such distribution would be unlawful.

PAYMENT INSTRUCTIONS

We shall open Escrow Accounts with the Escrow Collection Bank(s) for the collection of the Bid Amounts payable upon submission of the Bid-cum-Application Form and for amounts payable pursuant to allocation in the Issue.

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

Payment into Escrow Account

- (i) The Bidders for whom the applicable margin is equal to 100% shall, with the submission of the Bid-cum-Application Form draw a payment instrument for the Bid Amount, based on the Payment Method selected by the Bidder in the Escrow Account in favour of the Escrow Account and submit the same to the members of the Syndicate.

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- (ii) In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs and the CBRLMs, or the Call Notice, as applicable to the category of Bidder based on the Payment Method selected by the Bidder.
- (iii) The payment instruments for payment into the Escrow Account should be drawn in favour of:
 - (a) In case of resident QIB Bidders: **"Escrow Account – ICICI Bank Public Issue 2007 –QIB - R"**
 - (b) In case of non resident QIB Bidders: **"Escrow Account - ICICI Bank Public Issue 2007 –QIB - NR"**
 - (c) In case of other Resident Bidders and NRIs applying on a repatriation basis: **"Escrow Account-ICICI Bank Public Issue 2007 – R"**
 - (d) In case of other Non-Resident Bidders: **"Escrow Account-ICICI Bank Public Issue 2007 – NR"**
 - (e) In case of Existing Retail Shareholders: **"Escrow Account-ICICI Bank Public Issue 2007 – Shareholders"**
- (iv) In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in NRE accounts or Foreign Currency Non-Resident (FCNR) accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE or FCNR account. In case of Bids by Eligible NRIs applying on a non-repatriation basis, payments must be made out of an NRO account.
- (v) In case of Bids by FIIs / FVCIs/ multilateral and bilateral financial institutions, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to a Special Rupee Account.
- (vi) Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the refund account.
- (vii) The monies deposited in the Escrow Account will be held for the benefit of the Bidders till the Designated Date.
- (viii) On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Public Issue Account.
- (ix) On the Designated Date and not later than 15 days from the Bid /Issue Closing Date, the Escrow Collection Banks shall refund all amounts payable to unsuccessful Bidders and the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders.

Payments should be made by cheque, or demand draft drawn on any bank (including a co-operative bank), which is situated at, and is a member of or sub member of the banker's clearing house located at the centre where the Bid-cum-Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/stockinvest/moneyorders/postal orders will not be accepted.

Payment by Stockinvest

In terms of the Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stockinvest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn.

Key Features of the Payment Methods

1) Payment Method 1 ("Payment Method -1")

- a) While bidding, the Bidder shall make a payment of Rs. 250 per Equity Share, irrespective of the Bid.
- b) Under Payment Method-1, of the Rs. 250 paid while bidding (payment upon receipt of CAN in case of QIBs), Rs. 9 would be adjusted towards face value of the Equity Shares and Rs. 241 shall be towards share premium in case of Retail Bidders and Existing Retail Shareholders and Rs. 9.50 would be adjusted towards face value of the Equity Shares and Rs. 240.50 shall be towards share premium in case of Non-Institutional Bidders and QIB Bidders.
- c) At the time of allotment
 - i) If the amount already paid by the Bidder is equal to or higher than the total amount payable (being the Issue Price multiplied by the number of shares allotted) by the Bidder on the Equity Shares allotted to the Bidder, we reserve the right to adjust the excess amount towards the Balance Amount Payable and issue fully paid Equity Shares only. The excess amount, if any, after adjusting the Balance Amount Payable shall be refunded to the Bidder (i.e, Refund = Total amount paid on bidding minus the total amount payable on the shares allotted).
 - ii) If the amount already paid by the Bidder is less than the total amount payable by the Bidder (being the Issue Price multiplied by the number of shares allotted) on the Equity Shares allotted to the Bidder, we reserve the right to adjust the excess of the amount received from the Bidder over the Amount Payable on submission of the Bid-cum-Application Form towards the amount payable on CAN (in case of QIBs) or the Balance Amount Payable on Call Notices.
 - iii) Bidders opting for Payment Method 1 shall be required to make the payment of the Balance Amount Payable by the Due Date for payment of Balance Amount Payable. For such Balance Amount Payable:
 - 1) in case of QIBs and Non-Institutional Bidders, a Call Notice shall be issued by the Bank on the date of Allotment; and
 - 2) in case of Retail Bidders, two Call Notices shall be issued by the Bank, first on the date of Allotment and the second within a period for 6 months from the date of Allotment.
- d) Equity Shares in respect of which the Balance Amount Payable remains unpaid may be forfeited, 6 months after the due date for payment of Balance Amount Payable. In the event the Bank decides to allot the Equity Shares to Existing Retail Shareholders and Retail Bidders at a discount, such discount shall be adjusted against the Balance Amount Payable.
- e) **Indicative timetable for payment and corporate action with respect to Balance Amount Payable in case of Non Institutional and QIB Bidders (where the entire amount is called on the date of the Allotment):**

Sr. No	Event	Indicative Time Period (On or around)
a.	(a) Basis of Allotment finalised with the Stock Exchanges(b) Allotment Notice, including a statement of Balance Amount Payable per allotted share, issued to the Bidders opting for Payment Method - 1 (first Call Notice)	Day X – 2
b.	Listing of fully paid up Equity Shares (under Payment Method - 2)	Day X
c.	Period (21 days) during which Bidders may make payment for the Balance Amount Payable (at the designated bank branches to be announced)	Day X + 19
d.	Corporate action for appropriation of Balance Amount Payable and for credit of fully paid shares to the demat accounts of shareholders who have paid the amount **	Day X + 28
E	Listing of fully paid up Equity Shares under Payment Method – 1	Day X + 30

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**** INVESTORS PLEASE NOTE THAT THESE SHARES WILL NOT BE TRADED UNTIL THE DATE OF CORPORATE ACTION FOR APPROPRIATION OF BALANCE AMOUNT PAYABLE IS RECEIVED FROM THE ALLOTTEES IS COMPLETED. SEE RISK FACTOR ON PAGE xi OF THIS PROSPECTUS.**

In the case of Existing Retail Shareholders and Retail Bidders, where the entire Balance Amount Payable is not called on the date of Allotment, the following procedure shall be followed:

Procedure For Call Notices

The schedule set out below for listing and trading of the partly paid and fully paid Equity Shares is based on the current regulatory framework applicable thereto. Accordingly, any change in the regulatory regime would accordingly affect the schedule.

First Call Notice

The Bank shall issue the first Call Notice for Rs. 250 on the date of finalization of basis of Allotment with the Stock Exchanges. The Bidders shall make the payment for such Balance Amount Payable within 21 days at the designated bank branches as contained in the Call Notice. Upon completion of corporate action for appropriation of such Balance Amount Payable which may take upto two weeks, 56.18% (of price payable by Existing Retail Shareholders and Retail Bidders) paid up Equity Shares and 53.19% (of Issue Price for QIBs and Non-Institutional Bidders) shall be credited to the demat accounts of shareholders who have paid such amount and trading of these Equity Shares shall commence immediately thereafter.

Second Call

The Bank would convene a meeting of its Board/Committee thereof to pass the required resolution(s) for the Second Call Notice and suitable intimation would be given by the Bank to the Stock Exchanges. Further, advertisements for the same will be issued in one English national daily with wide circulation, one Hindi national daily with wide circulation and one Vadodara edition of a regional language newspaper.

Record date for Calls and suspension of trading

The Bank would fix a record date giving at least 30 days prior notice to the Stock Exchanges for the purpose of determining the list of shareholders to whom the notice for Call Notice would be sent. Once the record date has been fixed, trading in the partly paid Equity Shares for which calls have been made would be suspended 5 days prior to each record date that has been fixed for the call concerned.

Separate ISINs on application and call

In addition to the present ISIN for the existing fully paid up Equity Shares, the Bank would obtain separate ISIN Nos. for its partly paid up Equity Shares.

The 56.18% paid up (of the price payable by Existing Retail Shareholders and Retail Bidders) Equity Shares offered under the Issue will be traded under a separate ISIN No. for the period from the date of listing of these Equity Shares and up to five days prior to the record date for the second Call Notice. The ISIN No. representing these paid up Equity Shares will be terminated after the record date for the second Call Notice.

On payment of the Balance Amount Payable pursuant to the second Call Notice in respect of the 56.18% paid up (of the price payable by Existing Retail Shareholders and Retail Bidders) Equity Shares, such shares on which final call has been duly paid would be converted into fully paid up Equity Shares and merged with the existing ISIN for fully paid Equity Shares of the Bank.

Listing of partly paid shares

The partly paid up Equity Shares would be listed on the Stock Exchanges. Once, the second Call Notice has been sent, the listing of then 56.18% (of price payable by Existing Retail Shareholders and Retail Bidders) partly paid up Equity Shares would be terminated.

The Bank will make necessary application to NSE and BSE for listing of partly paid up Equity Shares. The partly paid up Equity Shares will be issued in accordance with this Prospectus and would be listed for the period as per the following details.

- The allotment of the 56.18% (of price payable by Existing Retail Shareholders and Retail Bidders) partly paid up Equity Shares will be completed within 15 days from the Bid/Issue Closing Date.
- The listing of 56.18% (of price payable by Existing Retail Shareholders and Retail Bidders) paid-up Equity Shares will be done within approximately 15 days from the Due Date for the Balance Amount Payable for pursuant to the first Call Notice.

- The fully paid up Equity Shares will be listed within approximately 15 days from the Due Date for the Balance Amount Payable for pursuant to the second Call Notice.

The process of corporate action for crediting 56.18% paid up (of price payable by Existing Retail Shareholders and Retail Bidders) and fully paid up shares to the Demat Account may take about two weeks time from the respective Due Date for the Balance Amount Payable . During this period the partly paid up shares would not be tradeable.

Payment Period for each call

The shareholders would be given not less than 21 days time for the payment of the Balance Amount Payable from the respective Call Notice.

Indicative Activities

Indicative Schedule of activities for making the partly paid up shares fully paid up:

Sr no.	Event	Indicative time period (on or around)
1.	a) Allotment is finalized with Stock Exchange b) Allotment Notice, including a statement of Balance Amount Payable per allotted Equity Share, issued to the Bidders opting for Payment Method-1 (first Call Notice)	Day X - 2
2.	Listing of fully paid up Equity Shares (pursuant to Payment Method 2)	Day X
3.	Period (21 days) during which Bidders may make payment for the Balance Amount Payable under the first Call Notice (at the designated bank branches to be announced)	Day X + 19
4.	Corporate action for appropriation of Balance Amount Payable and for credit of fully paid and partly paid up Equity Shares to the demat accounts of shareholders who have paid the amount (pursuant to Payment Method 1)	Day X + 28
5.	Listing of fully paid and partly paid up Equity Shares (pursuant to Payment Method 1)	Day X + 30
6.	Board to issue second Call Notice of balance Rs. 390.0	Day X + (1 to 6) months time (Day Y)
7.	Record date for second Call Notice	Y
8.	Suspension of ISIN No. representing 56.18% paid up Equity Shares	Y
9.	Suspension of trading of 56.18% paid up Equity Shares	Y -5 trading days
10.	Send the call notice to the shareholders holding Equity Shares on the record date	Y+2
11.	Last date for payment of call money	Y+23 days
12.	Corporate action for credit of fully paid up shares to the demat account of shareholders who have paid the Balance Amount Payable	Y + 35 days
13.	Listing of fully paid up shares	Y+ 40 days

2) Payment Method 2 ("Payment Method-2")

- Bidders under any category can choose this method.
- While bidding, the Existing Retail Shareholders and Retail Bidders shall make the full payment (Bid Amount multiplied by number of Equity Shares bid for) less the Retail Discount. The Non-Institutional Bidder shall have to make the full payment (Bid Amount multiplied by number of Equity Shares bid for) for the Equity Shares. Bidders in QIB category will be required to make payment of 10% of the Bid Amount multiplied by the number of Equity Shares Bid, with the balance being payable on allocation.

SUBMISSION OF BID-CUM-APPLICATION FORM

All Bid-cum-Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid. Each member of the Syndicate may, at its sole discretion, waive the requirement of payment at the time of submission of the Bid-cum-

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Application Form and the Revision Form. However, for QIB Bidders the Syndicate Members shall collect the Margin Amount.

Separate receipts shall not be issued for the money payable on the submission of Bid-cum-Application Form or Revision Form. However, the collection center of the members of the Syndicate will acknowledge the receipt of the Bid-cum-Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid-cum-Application Form for the records of the Bidder.

OTHER INSTRUCTIONS

Joint Bids in case of Individuals

Bids may be made in single or joint names (not more than three). In case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid-cum-Application Form or Revision Form. All communication will be addressed to the first Bidder and will be dispatched to his or her address.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same. Bids made by Existing Retail Shareholders both under Existing Retail Shareholders Reservation Portion as well as in the Net Issue shall not be treated as multiple Bids.

In this regard, the procedures which would be followed by the Registrar to the Issue to detect multiple applications are given below:

- (i) All applications with the same name and age will be accumulated and taken to a separate process file which would serve as a multiple master.
- (ii) In this master, a check will be carried out for the same PAN. In cases where the PAN is different, the same will be deleted from this master.
- (iii) The Registrar will obtain, from depositories, details of the Bidders' address based on the DP ID and Beneficiary Account Number provided in the Bid-cum-Application Form and create an address master.
- (iv) The addresses of all the Bidders in the multiple master will be strung from the address master. This involves putting the addresses in a single line after deleting non-alpha and non-numeric characters i.e. commas, full stops, hash etc. Sometimes, the name, the first line of addresses and pin code will be converted into a string for each application received and a photo match will be carried out amongst all the application processed. A print-out of the addresses will be taken to check for common names. The application with same name and same address will be treated as multiple applications.
- (v) The applications will be scrutinized for their DP ID and Beneficiary Account Numbers. In case applications bear the same DP ID and Beneficiary Account Numbers, these will be treated as multiple applications.
- (vi) Subsequent to the aforesaid procedures, a print out of multiple master will be taken and applications physically verified to tally signatures as also father's/husband's names. On completion of this, the applications will be identified as multiple applications.

In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made.

The Company reserves the right to reject, in our absolute discretion, all or any multiple Bids in any or all categories.

In cases where there are more than 20 valid Bidders having a common address, such shares will be kept in abeyance, post allotment and released on confirmation of KYC norms by the Depositories.

'PAN' or 'GIR' Number

Where Bid(s) is/ are for Rs. 50,000 or more, the Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/ her PAN allotted under the I.T. Act. **The copy of the PAN card or PAN allotment letter is required to be submitted with the Bid-cum-Application Form. Bidders without this information and documents will be considered incomplete and are liable to be rejected. It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN, as the Bid is liable to be rejected on this ground.** In case the sole/ First Bidder

and joint Bidder(s) is/ are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/ or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention "Applied for" in the Bid-cum-Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the sole/ First Bidder and each of the joint Bidder(s), as the case may be, would be required to submit Form 60 (form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in Rule 114B of the Income Tax Rules, 1962), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income-tax in respect of transactions specified in Rule 114B of the Income Tax Rules, 1962), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) ration card; or (b) passport; or (c) driving licence; or (d) identity card issued by any institution; or (e) copy of the electricity bill or telephone bill showing residential address; or (f) any document or communication issued by any authority of the Central Government, state government or local bodies showing residential address; or (g) any other documentary evidence in support of address given in the declaration. **It may be noted that Form 60 and Form 61 have been amended by a notification issued on December 1, 2004 by the Central Board of Direct Taxes, Department of Revenue, Ministry of Finance. All Bidders are requested to furnish, where applicable, the revised Form 60 or Form 61 as the case may be.**

Unique Identification Number ("UIN") – MAPIN

With effect from July 1, 2005, SEBI had decided to suspend all fresh registrations for obtaining UIN and the requirement to contain/quote UIN under the SEBI MAPIN Regulations/Circulars vide its circular MAPIN/Cir-13/2005. However, in a recent press release dated December 30, 2005, SEBI has approved certain policy decisions and has now decided to resume registrations for obtaining UINs in a phased manner. The press release states that the cut off limit for obtaining UIN has been raised from the existing limit of trade order value of Rs. 100,000 to Rs. 500,000 or more. The limit will be reduced progressively. For trade order value of less than Rs. 500,000, an option will be available to investors to obtain either the PAN or UIN. These changes are, however, not effective as of the date of this Prospectus and SEBI has stated in the press release that the changes will be implemented only after necessary amendments are made to the SEBI MAPIN Regulations. At present investors are not required to provide a MAPIN. At present investors are not required to provide a MAPIN.

Right to reject Bids

In case of QIB Bidders, the Bank, in consultation with the BRLMs and the CBRLMs may reject a bid placed by a qualified QIB for reasons to be recorded in writing, provided that such rejection shall be made at the time of acceptance of the Bid and the reasons therefore shall be disclosed to the QIB Bidders. In case of Existing Retail Shareholder Bidders, Non-Institutional Bidders and Retail Bidders, we have a right to reject Bids based on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the Bidder's address at the Bidder's risk.

Grounds for technical rejections

Bidders are advised to note that Bids are liable to be rejected on, *inter alia*, the following technical grounds:

1. Amount paid does not tally with the amount payable for the highest value of Equity Shares bid for;
2. Age of first Bidder not given;
3. In case of partnership firms, Equity Shares may be registered in the names of the individual partners and no such partnership firm shall be entitled to apply;
4. Bids by Non-Residents for partly paid shares without RBI approval for subscribing to such partly paid shares;
5. Bids by persons not competent to contract under the Indian Contract Act, 1872, including minors and insane persons;
6. PAN photocopy/PAN communication/Form 60 or Form 61 declaration, along with documentary evidence in support of address given in the declaration, not given where a Bid is for Rs. 50,000 or more;
7. GIR Number furnished instead of PAN;
8. Bids for lower number of Equity Shares than specified for that category of investors;

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9. Bids at a price less than lower end of the Price Band;
10. Bids at a price more than the higher end of the Price Band;
11. Bids at Cut-off Price by Non-Institutional Bidders and QIB Bidders;
12. Bids for number of Equity Shares, which are not in multiples of 6;
13. Category not ticked;
14. Multiple Bids as defined in this Prospectus;
15. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
16. Bids accompanied by stockinvest/money order/postal order/cash;
17. Signature of sole and/or joint Bidders missing;
18. Bid-cum-Application Form does not have the stamp of the BRLMs, the CBRLMs or the Syndicate Members;
19. Bid-cum-Application Form does not have the Bidder's depository account details;
19. Bid-cum-Application Form is not delivered by the Bidder within the time prescribed as per the Bid-cum-Application Form, Bid /Issue Opening Date advertisement and this Prospectus and as per the instructions in this Prospectus and the Bid-cum-Application Form;
20. In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the Beneficiary Account number;
21. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations. See the details regarding the same in the section titled "Issue Procedure – Bids at Different Price Levels" beginning on page 386;
22. Bids by OCBs;
23. Bids by U.S. persons;
24. Bids under Existing Retail Shareholders Reservation Portion for the amounts greater than Rs. 100,000;
25. Bids by QIBs not submitted through the BRLMs or CBRLMs or Members of the Syndicate;
26. Bids where the Bid-cum-Application Form do not reach the Registrar prior to the finalization of the Basis of Allotment;
27. Bids where clear funds are not available in Escrow Accounts as per final certificate from the Escrow Collection Banks;
28. Bids by persons prohibited from buying, selling or dealing in the shares directly or indirectly by SEBI or any other regulatory authority;
29. Bids by any person resident outside India, if not in compliance with applicable foreign and Indian laws;
30. In case, Bid-cum-Application forms are not available with the Registrar to the Issue for reasons such as force majeure, acts of God, floods or similar circumstances.
31. Bids not uploaded in the Book would be rejected; and
32. Bids or revisions thereof by QIB Bidders, Non-Institutional Bidders and Existing Retail Shareholders Bidding under the Existing Retail Shareholders Portion where the Bid Amount is in excess of Rs. 100,000, uploaded after 5 p.m. on the Bid / Issue Closing Date.

Equity Shares in dematerialised form with NSDL or CDSL

As per the provisions of Section 68B of the Companies Act, the Equity Shares in this Issue shall be allotted only in a de-materialised form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among our Bank, the respective Depositories and the 3i Infotech Limited:

- a) an agreement dated June 23, 1997 between NSDL, us and 3i Infotech Limited;
- b) an agreement dated April 23, 1997 between CDSL, us and 3i Infotech Limited.

All Bidders can seek Allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

- a) A Bidder applying for Equity Shares must have at least one beneficiary account with the Depository Participants of either NSDL or CDSL prior to making the Bid.
- b) The Bidder must necessarily fill in the details (including the beneficiary account number and Depository Participant's identification number) appearing in the Bid-cum-Application Form or Revision Form.
- c) Equity Shares allotted to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder
- d) Names in the Bid-cum-Application Form or Revision Form should be identical to those appearing in the account details with the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details with the Depository.
- e) If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid-cum-Application Form or Revision Form, it is liable to be rejected.
- f) The Bidder is responsible for the correctness of his or her demographic details given in the Bid-cum-Application Form vis-à-vis those with his or her Depository Participant.
- g) It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.
- h) The trading of our Equity Shares would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges.

COMMUNICATIONS

All future communication in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid-cum-Application Form number, details of Depository Participant, number of Equity Shares applied for, date of Bid-cum-Application Form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

PRE-ISSUE AND POST ISSUE RELATED PROBLEMS

We have appointed Mr. Jyotin Mehta, General Manager & Company Secretary as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue-related problems. He can be contacted at the following address:

ICICI Bank Limited
ICICI Bank Towers
Bandra-Kurla Complex
Mumbai 400 051
Tel no: 91 22 2653 1414
Fax no: 91 22 2653 1122
e-mail: jyotin.mehta@icicibank.com

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IMPERSONATION

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:

“Any person who:

- (a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or
- (b) otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name,

shall be punishable with imprisonment for a term which may extend to five years.”

Basis of Allocation

The Basis of Allocation shall be subject to the following:

- Our ensuring that the shareholding of FIIs in aggregate does not exceed 49% or such percentage of the total issued share capital as may be prescribed and individual shareholding of each FII does not exceed 10% or such percentage of the total paid up share capital as may be prescribed and the total foreign shareholding does not exceed 74% or such percentage of the total paid up share capital as may be prescribed;
- Our ensuring that the share holding of Non Resident Indians does not exceed in aggregate 10% or such percentage as may be prescribed of our total paid up share capital and individual shareholding of each Non Resident Indian does not exceed 5% or such percentage as may be prescribed of our total paid up share capital;
- The shareholding of any person, whether direct or indirect, beneficial or otherwise (together with existing shareholding) and/or the shareholding of any “Associated Enterprise” (as defined under Section 92A of the Income-Tax Act, 1961) should not exceed 5% of our total paid up share capital post this Issue and the ADS Offering or such percentage prescribed under the RBI circular dated February 3, 2004 without having obtained the acknowledgement from RBI for the same in terms of the RBI circular dated February 3, 2004;
- In the event, that the allocation on a proportionate basis results in breaching of applicable sectoral or person specific caps, as above, or the aggregate shareholding of any person after the allotment exceeding 5% of such total paid up share capital or such percentage as prescribed by the RBI, without such person having obtained the acknowledgment of the RBI in terms of the RBI’s circular dated February 3, 2004, then that category of persons or such specific persons shall receive such lower proportion of the allocation so as to comply with applicable regulations. Such additional Equity Shares would be allocated to the remaining Bidders in the category to which the Bidder belonged for further allocation on a proportionate basis.

A. For Retail Bidders

- Bids received from the Retail Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all successful Retail Bidders will be made at the Issue Price.
- The Net Issue size less allocation to Non-Institutional Bidders and QIB Bidders shall be available for allocation to Retail Bidders who have Bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 32,689,607 Equity Shares at or above the Issue Price, full allotment shall be made to the Retail Bidders to the extent of their demand.
- If the aggregate demand in this category is greater than 32,689,607 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of 6 Equity Shares and in multiples of 1 Equity Share thereafter. For the method of proportionate basis of allocation, refer below.
- In the event, that the allocation to Retail Bidders on a proportionate basis results in us breaching applicable sectoral caps, Non Resident Indians shall receive such lower proportion of the allocation such as to comply with the applicable sectoral caps. Such additional Equity Shares would be allocated to the remaining Retail Bidders on a proportionate basis

B. For Non-Institutional Bidders

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Net Issue size less allocation to QIB Bidders and Retail Bidders shall be available for allocation to Non-Institutional Bidders who have Bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 13,264,628 Equity Shares at or above the Issue Price, full allotment shall be made to Non-Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than 13,264,628 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis up to a minimum of 6 Equity Shares and in multiples of 1 Equity Share thereafter. For the method of proportionate basis of allocation refer below.
- In the event, allocation to Non Institutional Bidders on a proportionate basis results in us breaching applicable sectoral caps, Non Resident Indians shall receive such lower proportion of the allocation such as to comply with the applicable sectoral caps. Such additional Equity Shares would be allocated to the remaining Non Institutional Bidders on a proportionate basis

C. For QIBs

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all the QIB Bidders will be made at the Issue Price.
- The Net Issue size less allocation to Non-Institutional Portion and Retail Portion shall be available for proportionate allocation to QIB Bidders who have Bid in the Issue at a price that is equal to or greater than the Issue Price.
- However, eligible Bids by Mutual Funds only shall first be considered for allocation proportionately in the Mutual Fund Portion.
- After completing proportionate allocation to Mutual Funds for upto 2,210,771 Equity Shares (the Mutual Fund Portion), the remaining demand by Mutual Funds, if any, shall then be considered for allocation proportionately, together with Bids by other QIBs, in the QIB Portion. If the aggregate demand by Mutual Funds is less than 2,210,771 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will be added to the QIB Portion and allocated proportionately to the QIB Bidders.
- In the event that the aggregate demand in the QIB Portion has been met, under-subscription, if any, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Bank, in consultation with the BRLMs, the CBRLMs and the Designated Stock Exchange. For the purposes of this paragraph it has been assumed that the QIB Portion for the purposes of the Issue amounts to 50% of the Net Issue size, i.e. 44,215,426 Equity Shares
- For the method of allocation in the QIB Portion please see the paragraph titled "Illustration of Allotment to QIBs" appearing below.
- Subject to the sectoral caps, allotment shall be undertaken in the following manner:
 - (a) In the first instance allocation to Mutual Funds for 5% of the QIB Portion shall be determined as follows:
 - (i) In the event that Mutual Fund Bids exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion.
 - (ii) In the event that the aggregate demand form Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds shall get full Allotment to the extent of valid bids received above the Issue Price.
 - (iii) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available to the QIB Bidders as set out in (b) below;
 - (b) In the second instance allocation to all QIBs shall be determined as follows:

- (i) In the event that the oversubscription in the QIB Portion, all QIB Bidders who have submitted Bids above the Issue Price shall be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.
- (ii) Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.
- (iii) Under-subscription below 5% of the QIB Portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis;
- (iv) In the event that the aggregate demand in the QIB Portion has not been met, under-subscription, if any, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Bank, in consultation with the BRLMs and, the CBRLMs.
- (v) In the event allocation to remaining QIB Bidders on a proportionate basis results in us breaching sectoral caps, non-resident QIB Bidders such as FIIs, FVCIs, and multilateral financial institutions shall receive such lower proportion of allocation such as to comply with the applicable sectoral caps. Such additional Equity Shares would be allocated to the remaining QIB Bidders on a proportionate basis.

Except for any Equity Share allocated to QIB Bidders due to under-subscription in the Retail Portion and/or Non Institutional Portion, the aggregate allocation to QIB Bidders shall be made on a proportionate basis up to a maximum of 44,215,426 Equity Shares and in multiples of 1 Equity Shares thereafter. For the method of proportionate basis of allocation refer below.

D. For Existing Retail Shareholders

- Bids received from the Existing Retail Shareholders at or above the Issue Price shall be grouped together to determine the total demand in this portion. The Allotment to all the Existing Retail Shareholders who Bid successfully will be made at the Issue Price.
- If the aggregate demand in this portion is less than or equal to 4,915,731 Equity Shares at or above the Issue Price, full Allotment shall be made to the Existing Retail Shareholders to the extent of their demand.
- If the aggregate demand in this portion is greater than 4,915,731 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis subject to a minimum of 6 Equity Shares. For the method of proportionate basis of allocation, please refer below.

E. COMPLIANCE WITH FOREIGN OWNERSHIP NORMS FOR PRIVATE SECTOR BANKS

Notwithstanding anything contained in this Prospectus, we shall undertake the following steps to ensure that we comply with the requirements of the Government of India and the Reserve Bank of India for ensuring that the foreign shareholding limit of 74% of our total issued share capital, is not breached due to the allotment of shares in this Issue and the ADS Offering:

- I. After the Bidding Period, we along with the BRLMs, the CBRLMs and the Registrar shall finalise the basis of allocation for QIB Bidders on a proportionate basis;
- II. Our Bank would identify one or more Indian QIBs who have Bid in this Issue and are eligible for allotment ("Selected QIBs")
- III. The CAN based on the electronic book would be dispatched to all QIBs including the Selected QIBs;
- IV. The Selected QIBs shall be asked to deposit the balance amounts payable on their Bids immediately in the Escrow Account;
- V. We, BRLMs and the CBRLMs shall apply to the Designated Stock Exchange for approval of the basis of allocation to the Selected QIBs;
- VI. We shall thereafter allot the specified number of Equity Shares to the Selected QIBs;
- VII. The Equity Shares allotted to the Selected QIBs shall not be traded until the completion of the allotment of the Equity Shares to the remaining investors in the Issue.

The above procedure will be in addition to the normal process for allocation and Allotment of Equity Shares in this Issue. All other Bidders shall be allocated and allotted Equity Shares in this Issue in the manner as specified in this Prospectus.

Method of Proportionate basis of allocation in the Issue

In the event the Issue is over-subscribed, the basis of allotment shall be finalised by our Company in consultation with the Designated Stock Exchange. The Executive Director or Managing Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLMs and the CBRLMs and the Registrar to the Issue shall be responsible for ensuring that basis of allotment is finalised in a fair and proper manner. Allotment to Bidders shall be as per the basis of allocation as set out in this Prospectus under "Issue Structure".

- (a) Bidders will be categorized according to the number of Equity Shares applied for by them.
- (b) The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.
- (c) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio. The minimum allotment lot shall be the same as the minimum application lot irrespective of any revisions to the Price Band.
- (d) In case the proportionate allotment to any Bidder is in fractions, then the same will be rounded off to the nearest integer.
- (e) In all Bids where the proportionate allotment is less than 6 Equity Shares per Bidder, the allotment shall be made as follows:
 - (i) The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above; and
 - (ii) Each successful Bidder shall be allotted a minimum of 6 Equity Shares.
- (f) If the proportionate allotment to a Bidder is a number that is more than 6 but is not a multiple of one (which is the market lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. All Bidders in such categories would be allotted Equity Shares arrived at after such rounding off.
- (g) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for allotment shall be first adjusted against any other category, where the allotted Equity Shares are not sufficient for proportionate allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

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Illustration of Allotment to QIBs and Mutual Funds ("MF")

Investors should note that this illustration is purely for information purposes and is not an indication of the actual allotment process.

A. Issue details

Sr. No.	Particulars	Issue details
1	Issue size	100 million Equity Shares
2	Allocation to QIB (50% of the Net Issue)	50 million Equity Shares
	Of which:	
	a. Reservation For Mutual Funds, (5%)	2.5 million Equity Shares
	b. Balance for all QIBs including Mutual Funds	47.5 million Equity Shares
3	Number of QIB applicants	10
4	Number of Equity Shares applied for	250 million Equity Shares

B. Details Of QIB Bids

S.No	Type of QIB bidders#	No. of shares bid for (in million)
1	A1	25
2	A2	10
3	A3	65
4	A4	25
5	A5	25
6	MF1	20
7	MF2	20
8	MF3	40
9	MF4	10
10	MF5	10
	TOTAL	250

A1-A5: (QIB Bidders other than Mutual Funds), MF1-MF5 (QIB Bidders which are Mutual Funds)

C. Details of Allotment to QIB Bidders/Applicants

(Number of equity shares in million)

Type of QIB bidders	Shares bid for	Allocation of 2.5 million Equity Shares to MF proportionately (please see note 2 below)	Allocation of balance 47.5 million Equity Shares to QIBs proportionately (please see note 4 below)	Aggregate allocation to MFs
(I)	(II)	(III)	(IV)	(V)
A1	25	0	4.80	0
A2	10	0	1.92	0
A3	65	0	12.48	0
A4	25	0	4.80	0
A5	25	0	4.80	0
MF1	20	0.5	3.74	4.24
MF2	20	0.5	3.74	4.24
MF3	40	1	7.48	8.48
MF4	10	0.25	1.87	2.12
MF5	10	0.25	1.87	2.12
	250	2.5	47.5	21.2

Please note:

- The illustration presumes compliance with the requirements specified in this Prospectus in the section titled "Issue Structure" beginning on page 378.
- Out of 50 million Equity Shares allocated to QIBs, 2.5 million (i.e. 5%) will be allocated on proportionate basis among five Mutual Fund applicants who applied for 100 million shares in the QIB Portion.
- The balance 47.5 million Equity Shares (i.e. 50 – 2.5 (available for Mutual Funds only)) will be allocated on proportionate basis among 10 QIB Bidders who applied for 250 Equity Shares (including 5 Mutual Fund applicants who applied for 100 Equity Shares).
- The figures in the fourth column titled "Allocation of balance 47.5 million Equity Shares to QIBs proportionately" in the above illustration are arrived as under :
 - For QIBs other than Mutual Funds (A1 to A5)= Number of Equity Shares Bid for X 47.5 / 247.5
 - For Mutual Funds (MF1 to MF5)= [(No. of shares bid for (i.e in column II of the table above) less Equity Shares allotted (i.e., column III of the table above)] X 47.5 / 247.5
 - The numerator and denominator for arriving at allocation of 47.5 million Equity Shares to the 10 QIBs are reduced by 2.5 million shares, which have already been allotted to Mutual Funds in the manner specified in column III of the table above.

Letters of Allotment or Refund Orders

We shall ensure dispatch of allotment advice, refund orders, refund advice (in case refunds made through Electronic Clearing System ("ECS") / Direct Credit / Real Time Gross Settlement ("RTGS"), National Electronic Fund Transfer ("NEFT") as the case may be and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the allotment and listing documents to the Stock Exchanges within 2 (two) working days of date of finalisation of Allotment of Equity Shares. Where refunds are made through electronic transfer of funds, a suitable communication will be sent to the Bidders within 15 days of closure of the Issue, giving details of the Bank where refund will be credited along with amount and expected date of electronic credit of refund.

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The bank account details for ECS, Direct Credit, RTGS, NEFT credit will be directly taken from the Depositories' database and hence Bidders are required to ensure that bank details including the nine digit MICR code maintained at the depository level are updated and correct.

Refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

We shall give credit of Equity Share allotted to the beneficiary account with Depository Participants within 15 working days of the Bid Closing Date/Issue Closing Date. We shall ensure refunds as per the modes of refund discussed in the paragraph given below.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines, we further undertake that

- Allotment of Equity Shares will be made only in dematerialized form within 15 days from the Bid/Issue Closing Date;
- dispatch of refund orders within 15 (fifteen) days of the Bid /Issue Closing Date would be ensured; and
- we shall pay interest at 15% (fifteen) per annum (for any delay beyond the 15 (fifteen)-day time period as mentioned above), if Allotment is not made and refund orders are not dispatched and/or demat credits are not made to investors within the 15 (fifteen)-day time prescribed above as per the guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No. F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

Dispatch of refund orders

Refunds will be done within 15 days from the Bid/Issue Closing Date at the sole or First Bidder's sole risk. We will provide adequate funds required for dispatch of refund orders or Allotment advice to the Registrar to the Issue

Interest in case of delay in dispatch of Allotment letters/refund orders

We shall pay interest at the rate of 15% per annum if the Allotment letters/refund orders have not been dispatched to the Bidders or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner within 15 days from Bid/Issue Closing Date.

Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by us as an Escrow Collection Bank and payable at par at places where Bids are received except where the refund or portion thereof is made in electronic manner as described above. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

Modes of Refund

The payment of refund, if any, shall be undertaken using the following methods:

ECS

Payment of refund shall be undertaken through ECS for Bidders having an account at any of the following 15 centers where clearing houses are managed by RBI: Ahmedabad, Bangalore, Bhubaneswar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram. This mode of payment of refunds shall be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. The payment of refund through ECS is mandatory for all Bidders having a bank account at any of the abovementioned 15 centers, except where the Bidder, is otherwise disclosed as eligible to receive the refund through direct credit or RTGS.

The Company in consultation with the BRLMs and the CBRLMs and the Registrar may decide to use the National Electronic Funds Transfer ("NEFT") facility for payment of refunds as mentioned herein below.

NEFT

Payment of refund may be undertaken through NEFT wherever the Bidders' bank has been assigned the Indian Financial System Code ("IFSC"), which can be linked to a MICR, if any, available to that particular bank branch. IFSC Code will

be obtained from the website of RBI as at a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the Bidders have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the Bidders through this method.

Direct Credit

Bidders having bank accounts with the Escrow Collection Bank (s), as mentioned in the Bid-cum-Application Form, shall be eligible to receive refunds through direct credit. Charges, if any, levied by the Escrow Collection Bank(s) for the same would be borne by the Bank.

RTGS

Bidders having a bank account at any of the abovementioned 15 centers and whose refund amount exceeds Rs. 5 million, have the option to receive refund through RTGS. Such eligible Bidders who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the Bid-cum-Application Form. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the Escrow Collection Bank (s) for the same would be borne by such Bidder opting for RTGS as a mode of refund. Charges, if any, levied by the Bidder's bank receiving the credit would be borne by the Bidder.

Refund Order

For all other Bidders, including those who have not updated their bank particulars with the MICR code, the refund orders shall be dispatched under certificate of posting for value up to Rs. 1,500 and through Registered Post for refund orders of Rs. 1,500 and above at the sole or First Bidder's sole risk within 15 days of the Bid/Issue Closing Date. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Bank and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

In case of revision in the Price Band, the Bidding/Issue Period shall be extended for three additional days after the Price Band revision. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be widely disseminated by notification to the BSE and NSE, by issuing a press release, and by indicating the change on the web site of the BRLM and at the terminals of the Syndicate.

Undertaking by the Bank

We undertake as follows:

- that the complaints received in respect of this Issue shall be attended to by us expeditiously and satisfactorily;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of Allotment;
- that the funds required for dispatch of refund orders or Allotment advice by registered post or speed post shall be made available to the Registrar to the Issue by us;
- that the refund orders or Allotment advice to the NRIs or FIIs shall be dispatched within specified time; and
- that except as mentioned in section titled "Capital Structure" on page 30, no further issue of Equity Shares shall be made till the Equity Shares offered through this Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.

Utilisation of Issue proceeds

Our Board of Directors certify that:

- all monies received out of this Issue shall be credited/transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
- details of all monies utilised out of Issue referred above, including monies received under the Existing Reservation Shareholder reservation shall be disclosed under an appropriate head in our balance sheet indicating the purpose for which such monies have been utilised;

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- details of all unutilised monies out of the Issue, if any shall be disclosed under the appropriate head in our balance sheet indicating the form in which such unutilised monies have been invested;
- we shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of the Government of India and FEMA. While the Industrial Policy, 1991 prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of the Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. As per current foreign investment policies, foreign investment in the private banking sector is permitted up to 74% under the automatic route. The aggregate FII holding in a private sector bank cannot exceed 24% of the total issued capital. With the approval of the Board of Directors and the shareholders by way of a special resolution, the aggregate FII holding can go up to 49%. By way of Circular No. 53 dated December 17, 2003, RBI has permitted FIIs to subscribe to shares of an Indian company in a public offer without prior RBI approval, so long as the price of Equity Shares to be issued is not less than the price at which Equity Shares are issued to residents. Further, the shareholding of Non Resident Indian should not exceed 10% of our total issued share capital. With the approval of the Board of Directors and the shareholders by way of a special resolution, the aggregate NRI holding can go up to 24%.

Further, Non-Residents can bid for partly paid Equity Shares only if they have obtained the approval of the RBI to subscribe to partly paid Equity Shares and the said approval is submitted along with the Bid-cum-Application Form.

The shareholding of any person, whether direct or indirect, beneficial or otherwise (together with existing shareholding) and/or the shareholding of any "Associated Enterprise" (as defined under Section 92A of the Income-Tax Act, 1961) should not exceed 5% our total issued share capital post this Issue and the ADS Offering or such percentage prescribed under RBI circular dated February 3, 2004 without having obtained the acknowledgement from RBI for the same in terms of RBI circular dated February 3, 2004.

Upon completion of this Issue and the ADS Offering, the total Non-Resident shareholding in our Bank constitutes approximately 70.5% of our paid-up Equity Share capital. The exact Non-Resident shareholding may vary depending on actual allotments made to various categories.

MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

Capitalized terms used in this section have the meaning that has been given to such terms in the Articles of Association of ICICI Bank.

1. The regulations contained in Table A in the Schedule I of the Companies Act, 1956, shall not apply to the Company except so far as the same are repeated, contained or expressly made applicable in these presents or by the Act.
2. (a) The regulations for the management of the Company and for the observance by the Members thereof and their representatives shall, subject as aforesaid and to any exercise of the statutory powers of the Company in reference to the repeal or alteration of or addition to its regulations by Special Resolution, as prescribed or permitted by the Act, be such as are contained in these presents.
(b) The provisions of the Banking Regulation Act, 1949, shall have effect notwithstanding anything to the contrary contained in the Memorandum and Articles of Association of the Company.

Pursuant to Schedule II of the Companies Act and the SEBI Guidelines, the main provisions of the Articles of Association of ICICI Bank are detailed below:

Rights of Members

As to Capital

Article 73 provides that

The Company may from time to time increase its share capital by issuing new shares, subject to the provisions of the Banking Regulation Act.

Article 76 provides that

In addition to and without derogating from the powers for the purpose conferred on the Directors under Article 15 of the Company in General Meeting may, in accordance with the provisions of Section 81 of the Act, determine that any shares (whether forming part of the original capital or of any increased capital of the Company) shall be offered to such persons (whether Members or holders of debentures of the Company or not) in such proportion and on such terms and conditions and either at a premium or at par, or at a discount, subject to compliance with the provisions of Section 79 of the Act), as such General Meeting shall determine.

Article 211 provides that

If the Company shall be wound up and the assets available for distribution among the Members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the Members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up, on the shares held by them, respectively. And, if in a winding up, the assets available for distribution among the Members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the Members in proportion to the capital at the commencement of the winding up, paid up or which ought to have been paid up on the shares held by them, respectively. But this Article is to be without prejudice to the rights of the holders of shares issued upon special terms and conditions.

As to Dividend

Article 35 provides that

No Member shall be entitled to receive any dividend or to exercise any privilege as a Member until he shall have paid all calls for the time being due and payable on every share held by him whether alone or jointly with any person, together with interest and expenses, if any.

Article 173 provides that

The profits of the Company, subject to the provisions of the Act, the Memorandum and these presents, shall be divisible among the members in proportion to the amount of capital paid-up on the shares held by them, respectively.

Article 181 provides that

Subject to the provisions of the said Acts, no Member shall be entitled to receive payment of any interest or dividend in respect of his share or shares whilst any money may be due or owing from him to the Company in respect of such share or shares or otherwise howsoever either alone or jointly with any other person or persons and the Directors may deduct from the interest or dividend payable to any Member all sums of money so due from him to the Company.

Voting Rights

Article 113 provides that

- (a) On a show of hands, every Member present in person shall have one vote ; and
- (b) On a poll, the voting rights of Members shall be as provided in Section 87 of the Act, but will be subject to the ceiling of ten per cent of the total voting rights or such other percentage as may be stipulated by Section 12(2) of the Banking Regulation Act.

Article 115 provides that

A Body Corporate (whether a company within the meaning of the Act or not) may, if it is a Member, by a resolution of its Board of Directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company, in accordance with the provisions of Section 187 of the Act. The production at the meeting of a copy of such resolution duly signed by one Director of such Body Corporate or by a Member of its governing body and certified by him as being a true copy of the resolution shall, on production at the meeting, be accepted by the Company as sufficient evidence of the validity of his appointment.

Article 116 provides that

Any person entitled under the Transmission Clause to transfer any shares may vote at General Meetings in respect thereof as if he was the registered holder of such shares provided that at least 48 hours before the time of holding the meeting or adjourned meeting as the case may be at which he proposes to vote he shall satisfy the Directors of his right to transfer such shares unless the Directors shall have previously admitted his right to vote at such meeting in respect thereof.

Article 117 provides that

- (a) Any Member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person (whether a Member or not) as his proxy to attend and vote instead of himself; but a proxy so appointed shall not have any right to speak at the meeting;
- (b) In every notice calling a meeting of the Company, there shall appear, with reasonable prominence, a statement that a Member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and that a proxy need not be a Member.

Article 118 provides that

Votes may be given either personally or by attorney or by proxy or in the case of a Body Corporate, by a representative duly authorised as aforesaid.

Buy Back of shares

Article 80A provides that

The Company may purchase its own shares in the manner provided for in Section 77A of the Act.

Modification of Class Rights

Article 81 provides that

- (a) If at any time, the share capital of the Company is divided into different classes of shares, the rights and privileges attached to the shares of any class may, subject to the provisions of the Act, and whether or not the Company is being wound up, be varied modified, commuted, affected or abrogated with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of a Special Resolution passed at a separate meeting of the holders of the issued shares of that class.

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- (b) This Article is not to derogate from any power the Company would have had if this Article were omitted and the right of the dissentient shareholders being holders of not less in the aggregate than 10 per cent of the issued shares of that class being persons who did not consent to or vote in favour of the Resolution for the variation, to apply to the Court to have the variations or modifications cancelled as provided in Section 107 of the Act.

Forfeiture and Lien

Article 33 provides that

Neither a judgement nor a decree in favour of the Company for calls or other moneys due in respect of any shares nor any part payment or satisfaction thereunder nor the receipt by the Company of a portion of any money which shall from time to time be due from any Member in respect of any shares either by way of principal or interest nor any indulgence granted by the Company in respect of payment of any money shall preclude the forfeiture of such shares as herein provided.

Article 37 provides that

If any Member fails to pay the whole or any part of any call or installment or any money due in respect of any share(s) either by way of principal or interest on or before the day appointed for the payment of the same, the Directors may at any time thereafter during such time as the call or installment or any part thereof or other moneys remain unpaid or a judgement or decree in respect thereof remains unsatisfied in whole or in part serve a notice on such Member or on the person (if any) entitled to the share(s) by transmission requiring him to pay such call or installment or such part thereof or other moneys as remain unpaid together with any interest that may have accrued and all expenses (legal or otherwise) that may have been incurred by the Company by reason of such non-payment.

Article 38 provides that

The notice shall name a day not being less than 14 days from the date of the notice and the place or places on and at which such call or instalment or such part or other moneys as aforesaid and such interest and expenses as aforesaid are to be paid. The notice shall also state that in the event of non-payment at or before the time and at the place appointed, the share(s) in respect of which the call was made or instalment is payable, will be liable to be forfeited.

Article 49 provides that

The Company shall have no lien on its fully paid shares. In the case of partly paid-up shares, the Company shall have a first and paramount lien on every share for all moneys that remain unpaid together with any interest that may have accrued and all expenses (legal or otherwise) that may have been incurred by the Company by reason of non-payment of calls. Any such lien shall extend to all dividends from time to time declared in respect of such shares. Unless otherwise agreed, the registration of a transfer of shares shall operate as a waiver of the Company's lien, if any, on such shares.

Restriction on Transfer of Shares

Article 59 (a) provides that

Notwithstanding anything contained in Articles 54, 55 and 56, but subject to the provisions of Section 111 of the Act and subject to the provisions of the Securities Contracts (Regulation) Act, 1956 and the Rules and Regulations made thereunder and other applicable laws and the Banking Act, the Directors may, at their absolute and uncontrolled discretion, decline to register or acknowledge any transfer of shares and by giving reasons for such refusal and in particular may so decline in respect of the shares upon which the Company has a lien or whilst any moneys in respect of the shares desired to be transferred or any of them remain unpaid and such refusal shall not be affected by the fact that the proposed transferee is already a Member. Provided that registration of any transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever.

Article 59 (b) provides that

Without prejudice to the foregoing provisions and without limiting in any manner the generality of the above provisions, the Directors of the Company may, at their absolute and uncontrolled discretion, refuse to register the transfer of any shares or other securities of the Company, being shares or securities issued by the Company, in favour of any transferee whether individual, firm, group, constituent of a group, Body Corporate or Bodies Corporate under the

same management or otherwise and whether in his or its own name or in the name of any other person if the total nominal value of the shares or other securities intended to be so transferred, exceeds, or together with the total nominal value of any shares or other securities already held in the Company by such individual, firm, group, constituent of a group, Body Corporate or Bodies Corporate under the same management or otherwise will exceed one per cent of the paid-up equity share capital of the Company or if the Directors are satisfied that as a result of the proposed transfer of any shares or securities or block of shares or securities of the Company, a change in the composition of the Board of Directors or change in the controlling interest of the Company is likely to take place and that such change would be prejudicial to the interest of the Company or to the public interest. For the purpose of this Article, the Directors of the Company shall be entitled, *inter alia*, to rely upon this Article to form its own opinion as to whether such registration of transfer of any of its shares or other securities exceeding one per cent of the paid-up equity share capital of the Company should be refused or not.

Article 59 (c) provides that

Notwithstanding anything to the contrary, the restrictive provisions contained in the preceding sub-article (b) shall not apply to the transfer of any shares or other securities made to and representing the own investment of any of the following:

- i. Public Financial Institutions within the meaning of Section 4A of the Act;
- ii. Public Sector Banks;
- iii. Multilateral Agencies, Foreign Banks and Institutions; and
- iv. Public Sector Mutual Funds being Mutual Funds sponsored, promoted or managed by a Public Financial Institution or a Public Sector Bank.

Article 56 (d) provides that

Acquisition of shares by a person/group which would take in the aggregate his/her/its holding to a level of 5 per cent or more of the total issued capital of the Bank (or such other percentage as may be prescribed by RBI from time to time) should be effected by such buyer(s) after obtaining prior approval of RBI. The term 'group' will have the same meaning as contained in Section 2(e) of the Monopolies and Restrictive Trade Practices Act, 1969.

RBI has advised that the Bank would need to make certain amendments to the aforesaid Article 56 (d) of the Articles of Association of the Bank to ensure consistency with the regulations issued by it from time to time. The amendments suggested by RBI include changing the term "total issued capital" to "total paid-up capital of the bank" and deletion of the definition of the term "group" from Article 56 (d). The Bank would be taking appropriate steps to amend the said Article 56 (d) suitably, in consultation with and to the satisfaction of RBI. The aggregate paid up paid shares issued by us would be considered part of "total issued capital" for this purpose.

Article 60 provides that

If the Company refuses to register the transfer of any shares it shall within two months from the date on which the instrument of transfer is delivered to the Company, send to the transferee and the transferor notice of the refusal.

Article 61 provides that

Subject to the provisions of the Act, no transfer shall be made to a person who is of unsound mind. The Directors may, at their absolute discretion, approve a minor becoming a Member of the Company on such terms as the Directors may stipulate.

Article 68 provides that

The Company shall incur no liability or responsibility whatever in consequence of their registering or giving effect to any transfer of shares made or purporting to be made by the apparent legal owner thereof (as shown or appearing in the Register of Members) to the prejudice of persons having or claiming any equitable right, title or interest to or in the same shares notwithstanding that the Company may have had notice of such equitable right, title or interest or notice prohibiting registration of such transfer, and may have entered such notice or referred thereto in any book of the Company and the Company shall not be bound or required to regard or attend or give effect to any notice which may be given to them of any equitable right, title or interest or be under any liability whatsoever for refusing or neglecting to do so though it may have been entered or referred to in some book of the Company but the Company shall nevertheless be at liberty to regard and attend to any such notice and give effect thereto, if the Directors shall so think fit.

Indemnity and Responsibility

Article 215 provides that

- (a) Subject to the provisions of Section 201 of the Act, every Director of the Company or Officer (whether Managing Director, Manager, Secretary or other Officer) or employee or any person employed by the Company as Auditor shall be indemnified by the Company against and it shall be the duty of the Directors out of the funds of the Company to pay all costs, losses and expenses (including travelling expenses) which any such Director, Officer, other employee or Auditor may incur or become liable to by reason of any contract entered into or act or deed done by him as such Director, Officer, other employee or Auditor or in any way in the discharge of his duties.
- (b) Subject as aforesaid, every Director, Officer, other employee or Auditor of the Company shall be indemnified against any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgement is given in his favour or in which he is acquitted or discharged in connection with any application under Section 633 of the Act in which relief is given to him by court.

Chairman

Article 159 (a) provides that

All meetings of the Directors shall be presided over by the Chairman, if present, but if at any meeting of Directors, the Chairman be not present, at the time appointed for holding the same, then and in that case the Managing Director shall be entitled to be the Chairman of such meeting, failing which the Board shall choose one of the Non-Rotational Directors then present to preside at the meeting.

Directors' remuneration and powers

Article 132 provides that

The fees payable to a Director for attending a meeting of the Board or Committee thereof shall be decided by the Board of Directors, from time to time, within the limits as may be prescribed by the Act or the Central Government. No Director who is a Government servant shall be entitled to receive any remuneration under this Article or other provisions of these presents except as authorised by the Government.

Article 132A provides that

Subject to the provisions of Article 132, in the case of a Government servant, the Directors may allow and pay to any Director who is not a bonafide resident of the place where a meeting is held and who shall come to such place for the purpose of attending a meeting, such sum as the Directors may consider fair compensation for travelling, hotel and other expenses in addition to his remuneration as above specified and the Directors may, from time to time, fix the remuneration to be paid to any Member or Members of their body constituting a committee appointed by the Directors in terms of these presents and may pay the same.

Article 132B provides that

Subject to the provisions of Article 132, in the case of a Government servant if any Director, being willing, shall be called upon to perform extra services or to make any special exertions in going out or residing at a particular place or otherwise for any of the purposes of the Company, the Company may remunerate such Director either by a fixed sum or otherwise as may be determined by the Directors and such remuneration may be either in addition to or in substitution for his remuneration above provided.

Article 134 provides that

Subject to the provision of the said Acts, if any Director, being willing, shall be called upon to perform extra services or to make any special exertions in going out or residing at a particular place or otherwise for any of the purposes of the Company, the Company may remunerate such Directors either by a fixed sum or otherwise as may be determined by the Directors and such remuneration may be either in addition to or in substitution for his remuneration above provided.

Powers of the Directors

Article 166(a) provides that

Subject to the provisions of the said Acts, the Board of Directors shall be entitled to exercise all such powers and to do all such acts and things, as the Company is authorised to exercise and do.

Provided that the Board shall not exercise any power to do any act or thing which is directed or required, by any act or by the Memorandum or Articles of the Company or otherwise, to be exercised or done by the Company in General Meeting.

Provided further that in exercising any such power or doing any such act or thing, the Board shall be subject to the provisions contained in that behalf in any Act or in the Memorandum or Articles of the Company or in any regulations not inconsistent therewith and duly made thereunder including regulations made by the Company in General Meeting.

No regulation made by the Company in General Meeting shall invalidate any prior act of the Board which would have been valid if that regulation had not been made.

Borrowing Powers

Article 83 provides that

Subject to the relevant provisions of the Act, the Board of Directors may from time to time, by a resolution passed at a meeting of the Board, borrow moneys and may generally raise and secure the payment of such sum or sums in such manner and upon such terms and conditions in all respects as they think fit and in particular by the issue of bonds, perpetual or redeemable debentures or debenture stock or any mortgage or charge or other security on the undertaking or the whole or any part of the property of the Company both present and future) including its uncalled capital for the time being.

Provided that the Directors shall not borrow moneys, where moneys to be borrowed together with the moneys borrowed by the Company, apart from temporary loans obtained in its ordinary course of business and except as otherwise provided hereafter, shall exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose.

Provided, however, that:

- (a) nothing contained hereinabove shall apply to any sums of moneys borrowed by the Company from any other banking companies or from RBI, State Bank of India or any other bank established by or under any law for the time being in force;
- (b) acceptance by the Company in the ordinary course of business of deposits of moneys shall not be deemed to be borrowing of moneys by the Company for the purpose aforesaid.

Provided, further, that ICICI Bank shall not create:

- (a) charge upon any unpaid capital of the company; and
- (b) a floating charge on the undertaking or any property of the Company or any part thereof unless the creation of such floating charge is certified in writing by RBI as provided in the Banking Act.

Pursuant to Section 293(1)(d) and other applicable provisions of the Act, the Members of ICICI Bank passed a resolution at their Annual General Meeting held on June 15, 1998, giving their consent to the borrowing by the Directors of ICICI Bank from time to time subject to any restrictions imposed by the terms of Agreements as may have been entered into or may be entered into from time to time for grant of assistance to ICICI Bank, of all deemed by them to be requisite or proper for the purpose of carrying on the business of ICICI Bank, however that the total amount of such borrowing outstanding at any time shall not exceed Rs. 30.00 billion, notwithstanding that the moneys to be borrowed together with the moneys already borrowed by ICICI Bank (apart from temporary loans, if any, obtained from ICICI Bank's bankers in the ordinary course of business) will exceed the aggregate of the paid-up capital of ICICI Bank and its free reserves that is to say, reserves that are not set apart for any specific purpose.

Pursuant to the Scheme of Amalgamation of ICICI, ICICI Capital Services Limited and ICICI Personal Financial Services Limited (Transferor companies) with us, our borrowing powers in terms of Section 293(1)(d) of the said Act, shall without further act, instrument or deed stand enhanced by an amount aggregating to Rs. 1,005.50 billion being the

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aggregate borrowing limits of the Transferor companies, such limits being incremental to the pre-merger existing limit of Rs. 30.00 billion of ICICI Bank.

With the addition of Rs. 1,005.50 billion to the existing limit of Rs. 30.00 billion, the post merger borrowing powers of the Board of Directors of the Bank stand at Rs. 1,035.50 billion.

Article 84 provides that

Any bonds, debentures, debenture stock or other securities issued or to be issued by the Company shall be under the control of the Directors who may issue them upon such terms and conditions and in such manner and for such consideration as they shall consider to be for the benefit of the Company.

Article 85 provides that

Debentures, debenture stock, bonds or other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.

Article 86 provides that

Subject to the provision of the said Acts, any bonds, debentures, debenture stock or other securities may be issued at a discount, premium or at par and with any special privileges as to redemption, surrender, drawing, allotment of shares, appointment of Directors or otherwise.

Delegation of Powers

Article 157 provides that

The Directors may subject to the provisions of the Act delegate any of their powers to Committees consisting of Directors and/or such other person or persons as they think fit, and they may from time to time revoke and substitute such delegation. Any Committee so formed shall in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed on it by the Directors. All acts done by any such Committee in conformity with such regulations and in fulfilment of the purposes of its appointment but not otherwise, shall have the force and the effect as if done by the Board.

Interest of directors and promoters

Article 139 provides that

- (a) Every Director of the Company who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into, by or on behalf of the Company, shall disclose the nature of his concern or interest at a Meeting of the Board of Directors.
- (b)
 - (i) In the case of a proposed contract or arrangement, the disclosure required to be made by a Director under sub-article (a) above shall be made at the meeting of the Board at which the question of entering into contract or arrangement is first taken into consideration or if the Director was not, at the date of that meeting, concerned or interested in the proposed contract or arrangement at the first meeting of the Board held after he becomes so concerned or interested;
 - (ii) in the case of any other contract or arrangement, the required disclosure shall be made at the first meeting of the Board held after the Director becomes concerned or interested in the contract or arrangement.
- (c)
 - (i) For the purpose of sub-articles (a) and (b) above, a general notice given to the Board by a Director, to the effect that he is a Director or a Member of a specified Body Corporate or is a partner of a specified firm and is to be regarded as concerned or interested in any contract or arrangement which may, after the date of the notice, be entered into with that Body Corporate or firm shall be deemed to be a sufficient disclosure of concern or interest in relation to any contract or arrangement so made;
 - (ii) any such general notice shall expire at the end of the financial year in which it is given, but may be renewed for further periods of one financial year at a time, by a fresh notice given in the last month of the financial year in which it would otherwise expire;
 - (iii) no such general notice and no renewal thereof shall be of effect unless it is either given at a meeting of the Board or the Director concerned takes reasonable steps to secure that it is brought up and read at the first meeting of the Board after it is given.

- (d) Nothing in this Article shall be taken to prejudice the operation of any rule of law restricting a Director of the Company from having any concern or interest in any contracts or arrangements with the Company.
- (e) Nothing in this Article shall apply to any contract or arrangement entered into or to be entered into between the Company and any other company where any of the Directors of the Company or two or more of them together holds or hold not more than two per cent of the paid-up share capital in the other company.

Article 140 provides that

- (a) No Director of the Company shall, as a Director, take part in the discussion of, or vote on, any contract or arrangement entered into or to be entered into, by Board's proceedings or on behalf of the Company, if he is in any way, whether directly or indirectly, concerned or interested in the contract or arrangement; nor shall his presence count for the purpose of forming a quorum at the time of any such discussion or vote; and if he does vote, his vote shall be void.
- (b) Sub-article (a) above shall not apply to:
 - (i) any contract of indemnity against any loss which the Directors or any one or more of them may suffer by reason of becoming or being sureties or a surety for the Company;
 - (ii) any contract or arrangement entered into or to be entered into with a public company or a private company which is a subsidiary of a public company, in which the interest of the Director aforesaid consists solely :
 - in his being a Director of such company and the holder of not more than shares of such number or value therein as is requisite to qualify him for appointment as a Director thereof, he having been nominated as such Director by the Company, or
 - in his being a member holding not more than two per cent of the paid-up share capital of such other company.

None of the Directors of the Company are interested in any property acquired by the Company. No Director is interested or concerned in the Issue except so far as he or she may be issued Equity Shares out of the Issue in case he or she decides to subscribe thereto or except in case of issue of Equity Shares to a company/body corporate/firm/concern/bank in which the Director is concerned or his or her relative might be directly or indirectly interested to hold any office of profit or receive any commission/brokerage or remuneration.

The Directors of the Company are deemed to be interested only directly or indirectly, to the extent to which they are Directors in (a) bodies corporate which have obtained financial assistance from the Company in the normal course of business, (b) banks which are Bankers to the Issue or (c) any other contract or arrangement with the Company in the ordinary course of business or in connection with the Issue.

All Directors of the Company are or may be deemed to be interested to the extent of remuneration, sitting fees for attending meetings of the Board and reimbursement of expenses, if any, payable to them by the Company. Directors of the Company are or may be deemed to be interested to the extent of remuneration, sitting fees for attending meetings of the Board, commission and reimbursement of expenses, if any, payable to them by the subsidiaries/associate companies of the Company. Subject to the above, no Director is interested in the promotion of ICICI Bank, or in any property acquired by the Company within two years of the date of the Prospectus or proposed to be acquired by it.

Managing Director

Article 151(a) provides that

Subject to the provisions of the said Acts and these presents, the Board of Directors of the Company shall be entitled to appoint from time to time, one or more of the Non-Rotational Directors to act as the Whole-time or Executive Chairman and Managing Director or Part-time Chairman or Whole-time Chairman (hereinafter referred to as the "Executive Chairman") or a Managing Director or Managing Director(s) and/or Whole-time Director or Whole-time Director(s) of the Company (hereinafter referred to as the "Managing Director") for such term not exceeding five years at a time as the Board of Directors may think fit to manage the affairs and business of the Company and may from time to time (subject to provisions of any contract between him and ICICI Bank) may remove or dismiss him or them from office and appoint another in his place.

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Retirement of Directors

Article 142 provides that

At every Annual General Meeting of the Company, one third of such Directors for the time being as are liable to retire by rotation or if their number is not three or a multiple of three, then the number nearest to one third, shall retire from office. The Debenture Directors, the Government Directors and the Non-Rotational Directors, subject to Article 151, shall not be subject to retirement under this Article.

Number of Directors

Article 126 provides that

Until otherwise determined by a General Meeting, the number of Directors shall not be less than three or more than twenty one excluding the Government Director (referred to in Article 128A) and the Debenture Director (referred to in Article 129) (if any).

Alternate Director

Article 130 provides that

- (a) The Board of Directors may appoint an Alternate Director to act for a Director (hereinafter in this Article called "the Original Director") at his suggestion or otherwise, during his absence for a period of not less than three months from the state in which meetings of the Board are ordinarily held;
- (b) An Alternate Director appointed under sub-article (a) above shall not hold office as such for a period longer than permissible to the Original Director in whose place he has been appointed and shall vacate office if and when the Original Director returns to the state in which meetings of the Board are ordinarily held;
- (c) If the term of office of the Original Director is determined before he so returns to the state aforesaid, any provision for the automatic re-appointment of retiring Directors in default of another appointment shall apply to the Original, and not to the Alternate Director.

Non Rotational Directors

Article 128 provides that

Not more than one-third of the total number of Directors shall be non-rotational Directors and, except for the Debenture Director and the Government Director, such non-rotational Directors (hereinafter referred to as the 'Non-Rotational Directors') shall be appointed by the Board of Directors of the Company. The remaining Directors shall be persons whose period of office is liable to determination by rotation and subject to the provisions of the Act shall be appointed by the Company in General Meeting.

Government Director

Article 128 A provides that

During such time as the Guarantee Agreement dated March 14, 1955 or the Guarantee Agreement dated July 15, 1959 or the Guarantee Agreement dated October 28, 1960 or the Guarantee Agreement dated February 28, 1962, between the President of India and The International Bank for Reconstruction and Development shall remain in force, the President of India shall have the right from time to time, to appoint one person as a Director of the Company and to remove such person from office and on a vacancy being caused in such office from any cause whether by resignation, death, removal or otherwise to appoint a Director in the vacant place. The Company shall be entitled to agree with the President of India for the appointment of a Director of the Company by the President of India as contemplated by this Article in respect of any future advance or advances by the Government of India or in respect of any guarantee or guarantees that may be given by the Government of India in connection with the Company's future borrowings from The International Bank for Reconstruction and Development or any other financial institution. The Director appointed under this Article is herein referred to as "the Government Director" and the term "Government Director" means the Director for the time being in office under this Article. The Government Director shall not be liable to retire by rotation or be removed from office except by the President of India as aforesaid. Subject as aforesaid, the Government Director shall be entitled to the same rights and privileges and be subject to the same obligations as any other Director of the Company.

Debenture Director

Article 129 provides that

Any trust documents covering the issue of debentures or bonds of the Company may provide for the appointment of a Director (in these presents referred to as the “Debenture Director”) for and on behalf of the holders of debentures or bonds for such period as is therein provided not exceeding the period for which the debentures/bonds or any of them shall remain outstanding and for the removal from office of such Debenture Director and on a vacancy being caused whether by resignation, death, removal or otherwise for appointment of a Debenture Director in the vacant place. The Debenture Director shall not be liable to retire by rotation or be removed from office except as provided as aforesaid.

Additional Directors And Casual Vacancy

Articles 135 and 136 provide that

The Directors shall have the power at any time and from time to time to appoint, subject to the provisions of these presents, any person as an Additional Director to the Board but so that the total number shall not, at any time, exceed the maximum number fixed for the Board, but any Director so appointed shall hold office only up to the date of the next Annual General Meeting of the Company and shall then be entitled for re-election.

If the office of any Director appointed by the Company in General Meeting is vacated

before his term of office expires in the normal course, the resulting casual vacancy may

be filled by the Board of Directors at a meeting of the Board and the Director so appointed shall hold office only up to the date up to which the Director in whose place he is appointed would have held office if it had not been vacated.

Directors may act notwithstanding vacancy

Article 137 provides that

Subject to the provisions of the Act, the continuing Directors may act notwithstanding any vacancy in their body, but so that if the number falls below the minimum number fixed, the Directors shall not, except in emergencies or for the purpose of filling up vacancies or for summoning a General Meeting of the Company, act so long as the number is below the minimum and they may so act notwithstanding the absence of a necessary quorum.

Reconstitution of the Board

Article 165 provides that

- a) If the requirements as to the constitution of the Board as laid down in any of the Companies Act, 1956 and the Banking Regulation Act are not fulfilled at any time, the Board shall reconstitute such Board so as to ensure that such requirements are fulfilled.
- b) If, for the purpose of reconstituting the Board under sub-article (a) above, it is necessary to retire any Director or Directors, the Board shall, by lots drawn at a Board Meeting, decide which Director or Directors shall cease to hold office and such decision shall be binding on every Director.
- c) Every Director, if he is appointed under any casual or other vacancy, shall hold office until the date up to which his predecessor would have held office, if the election had not been held or, as the case may be, the appointment had not been made.
- d) No act or proceeding of the Board of Directors of the Company shall be invalid by reason only of any defect in the composition thereof or on the ground that it is subsequently discovered that any of its Members did not fulfil the requirements of this Article.

Share Qualification of Directors

Article 131(a) provides that

The Directors of the Company are not required to hold any qualification shares.

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by the Bank or entered into more than two years before the date of this Prospectus) which are or may be deemed material have been entered or to be entered into by the Bank. These contracts, copies of which have been attached to the copy of the Red Herring Prospectus, delivered to the RoC for registration and also the documents for inspection referred to hereunder, may have been inspected at the Registered Office of our from the Bank between 10.00 am to 4.00 pm on working days from the date of the Red Herring Prospectus until the Bid Closing Date/Issue Closing Date.

Material Contracts

1. Copies of letters from the Bank dated May 11, 2007 appointing Goldman Sachs (India) Securities Private Limited, DSP Merrill Lynch Limited, Enam Financial Consultants Private Limited and JM Morgan Stanley Private Limited (now known as JM Financial Consultants Private Limited) as BRLMs and ICICI Securities Primary Dealership Limited as CBRLM and a follow up letter dated June 11, 2007 including the further appointment of J.P. Morgan India Private Limited and CLSA India Limited as CBRLMs.
2. A copy of the Bank's letters dated May 11, 2007 appointing M/s. Karvy Computershare Private Limited as Registrar to the Issue.
3. Copy of the Memorandum of Understanding executed between our Bank and M/s. Karvy Computershare Private Limited, Registrar to the Issue dated May 11, 2007.
4. Copy of the Memorandum of Understanding ("MOU") executed between our Bank, Goldman Sachs (India) Securities Private Limited, DSP Merrill Lynch Limited, Enam Financial Consultants Private Limited and JM Morgan Stanley Private Limited (now known as JM Financial Consultants Private Limited) (BRLMs) and ICICI Securities Primary Dealership Limited, (CBRLM) dated May 11, 2007.
5. Supplemental MOU executed between our Bank, Goldman Sachs (India) Securities Private Limited, DSP Merrill Lynch Limited, Enam Financial Consultants Private Limited and JM Financial Consultants Private Limited (formerly known as JM Morgan Stanley Private Limited) (BRLMs) and ICICI Securities Primary Dealership Limited, J.P. Morgan India Private Limited and CLSA India Limited (CBRLMs) dated June 11, 2007.
6. Copy of Escrow Agreement dated June 18, 2007 between the Bank, the BRLMs, Escrow Collection Bank and the Registrar to the Issue.
7. Copy of the Syndicate Agreement dated June 18, 2007 between the Bank, the BRLMs and the Syndicate Members.
8. Copy of the Underwriting Agreement dated June 23, 2007 between the Bank, the BRLMs and the Syndicate Members.
9. Stabilisation Agreement dated June 11, 2007 between the Bank, Life Insurance Corporation of India and DSP Merrill Lynch Limited.

Material Documents

1. Certified true copies of the Memorandum and Articles of Association of the Bank, as amended from time to time.
2. Copy of the Certificate of Incorporation of the Bank dated January 5, 1994.
3. Copy of Certificate of Commencement of Business dated February 24, 1994.
4. Copy of Fresh Certificate of Incorporation consequent to the change of name dated September 10, 1999.
5. Scheme of amalgamation of ICICI Limited, ICICI Capital Services Limited and ICICI Personal Financial Services Limited with ICICI Bank.
6. Modification of the authorised share capital of ICICI Bank as per the Scheme of Amalgamation.
7. Certified true of the Resolution passed by the Members of ICICI Bank through Postal Ballot process on June 8, 2007 in relation to the Issue and re-classifying the authorised share capital of our Bank.
8. Certified true copy of the Resolution passed by the Board of Directors of ICICI Bank at its Meeting held on April 28, 2007 in relation to the Issue and other related matters.
9. Certified true copy of the Resolution passed by the Members of ICICI Bank at their Meeting held on January 20, 2007 approving the scheme of amalgamation of The Sangli Bank Limited with ICICI Bank Limited.

10. Certified true copy of the scheme of amalgamation of The Sangli Bank Limited with ICICI Bank Limited along with the order of Reserve Bank of India dated April 18, 2007 approving the scheme.
11. Reports of the Auditors dated June 23, 2007 prepared as per Indian GAAP and disclosed in section "Financial Statements" on page 174 in this Prospectus and a copy of the General Tax Benefit Report dated June 11, 2007.
12. Copies of annual reports of our Bank for the last five financial years.
13. Consents of the Auditors for inclusion of their report on accounts in the form and context in which they appear in this Prospectus.
14. Attested General Power of Attorney executed by the Directors of our Bank in favour of Person(s) for signing and making necessary changes to the Red Herring Prospectus and other related documents.
15. Certified true copy of the Resolution of the Members of ICICI Bank passed at the 12th Annual General Meeting held on July 22, 2006 appointing BSR & Co. as Auditors for the year 2006-2007
16. Consents of BRLMs, Syndicate Members, Registrar to the Issue, Escrow Collection Bank, Banker to the Issue, Domestic Legal Counsel to the Bank, International Legal Counsel to the Bank, Directors, Company Secretary and Compliance Officer, as referred to, in their respective capacities.
17. Certified true copy of the Resolution(s) of the Members of ICICI Bank passed at the 8th, 10th and 11th Annual General Meeting(s) held on September 16, 2002, September 20, 2004 and August 20, 2005 respectively approving the appointment/re-appointment of Mr. K. V. Kamath, Managing Director & CEO and payment of remuneration to him/revision in his remuneration.
18. Certified true copy of the Resolution(s) of the Members of ICICI Bank passed at the 7th, 8th, 10th and 11th Annual General Meeting(s) held on June 11, 2001, September 16, 2002, September 20, 2004 and August 20, 2005 respectively approving the appointment/re-appointment of Ms. Chanda Kochhar, Executive Director and payment of remuneration to her/revision in her remuneration.
19. Certified true copy of the Resolution(s) of the Members of ICICI Bank passed at the 7th, 8th, 10th and 11th Annual General Meeting(s) held on June 11, 2001, September 16, 2002, September 20, 2004 and August 20, 2005 respectively approving the appointment/re-appointment of Dr. Nachiket Mor, Executive Director and payment of remuneration to him/revision in his remuneration.
20. Certified true copy of the Resolution(s) of the Board of ICICI Bank passed at the Meeting held on April 29, 2006 regarding elevation of Ms. Chanda Kochhar and Dr. Nachiket Mor as the Deputy Managing Directors.
21. Certified true copy of the Resolution of the Board of ICICI Bank passed at its Meeting held on October 24, 2006 appointing Mr. V. Vaidyanathan as the Executive Director of the Bank effective the same date.
22. Certified true copy of the Resolution of the Board of ICICI Bank passed at its Meeting held on April 28, 2007 appointing Ms. Madhabi Puri Buch as the Executive Director of the Bank effective June 1, 2007.
23. Certified true copy of the Resolution of the Board of ICICI Bank passed at its Meeting held on April 28, 2007 revising salary range and increasing house rent allowance Mr. K. V. Kamath, Managing Director & CEO, Ms. Chanda Kochhar, Deputy Managing Director, Dr. Nachiket Mor, Deputy Managing Director and Mr. V. Vaidyanathan, Executive Director.
24. Certified true copy of the Postal Ballot Notice sent to the Members of ICICI Bank for seeking their approval for alteration of the authorised share capital and for raising of capital.
25. In-principle listing applications dated May 15, 2007 filed with NSE and BSE respectively.
26. In-principle listing approvals dated May 30, 2007 and May 31, 2007 from NSE and BSE respectively.
27. Copy of tripartite agreement dated June 23, 1997 between ICICI Bank, 3i Infotech and National Securities Depository Limited.
28. Copy of tripartite agreement dated April 23, 1999 between ICICI Bank, 3i Infotech and Central Depository Services (India) Limited
29. Details of individual allotments of Equity Shares issued on exercise of options under the Employee Stock Option Scheme.
30. Due diligence certificate dated May 11, 2007 to SEBI from the BRLMs.
31. SEBI observation letter(s) dated June 11, 2007

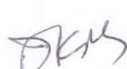
Any of the contracts or documents mentioned in this Prospectus may be amended or modified at any time if so required in the interest of the Bank or if required by the other parties, without reference to the shareholders subject to compliance of the applicable laws.

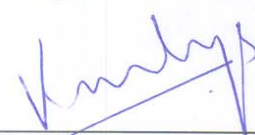
DECLARATION

We, the Directors of the Bank, hereby declare that all the relevant provisions of the Companies Act, 1956 and the guidelines issued by the Government of India or the guidelines issued by the Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or rules made or guidelines issued thereunder, as the case may be. We further certify that all statements in this Prospectus are true and correct.

SIGNED BY THE DIRECTORS*

Mr. Narayanan Vaghul, Chairman OKM
Mr. Sridar Iyengar OKM
Mr. Ram Kishore Joshi OKM
Mr. Lakshmi Niwas Mittal OKM
Mr. Narendra Murkumbi OKM
Mr. Anupam Pradip Puri OKM
Mr. Vinod Rai OKM
Mr. Mahendra Kumar Sharma OKM
Mr. Priya Mohan Sinha OKM
Prof. Marti Gurunath Subrahmanyam OKM
Mr. Thai Salas Vijayan OKM
Mr. Vivan Prem Watsa OKM
Mr. Kundapur Vaman Kamath, Managing Director & CEO OKM
Ms. Chanda Kochhar, Deputy Managing Director OKM
Dr. Nachiket Mor, Deputy Managing Director OKM
Ms. Madhabi Puri-Buch, Executive Director OKM
Mr. V. Vaidyanathan, Executive Director OKM


* (Through their Constituted attorney Jyotin Mehta)


Vishakha Mulye (Group Chief Financial Officer)

Place : Mumbai

Date : June 26, 2007

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