ICICI BANK LTD
Form 20-F/A
June 13, 2007

As filed with the Securities and Exchange Commission on June 13, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F/A

(Mark One)

o REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended March 31, 2007

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 001-15002

ICICI BANK LIMITED
(Exact name of registrant as specified in its charter)
Vadodara, Gujarat, India
(Jurisdiction of incorporation or organization)
ICICI Bank Towers
Bandra-Kurla Complex
Mumbai 400051, India
(Address of principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Equity Shares of ICICI Bank Limited(1)	New York Stock Exchange
American Depositary Shares, each representing two Equity Shares of ICICI Bank Limited, par value Rs. 10 per share	New York Stock Exchange

(1) Not for trading, but only in connection with the registration of American Depositary Shares representing such Equity Shares pursuant to the requirements of the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

The number of outstanding Equity Shares of ICICI Bank Limited as of March 31, 2007 was 899,266,672.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes x No o

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes o No x

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act.

Large accelerated filer x Accelerated filer o Non-accelerated filer o

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 o Item 18 x

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No x

EXPLANATORY NOTE

This Amendment No. 1 (this "Form 20-F/A") to our Annual Report on Form 20-F for the year ended March 31, 2007 that was originally filed on June 11, 2007 (the "Original Filing"), is being filed to correct clerical errors made on pages F-2, F-4, in Exhibit 12.2 and in Exhibit 13 of the Original Filing.

For the convenience of the reader, this Form 20-F/A sets out the Original Filing in its entirety. However, this Form 20-F/A only corrects the following information:

- The last paragraph on page F-2 (REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM) has been amended to change the date of the auditors' report to May 31, 2007.

- The last paragraph on page F-4 (REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM) has been amended to change the date of the auditors' report to May 31, 2007.

- In Exhibit 12.2, Ms. Vishakha Mulye's title has been amended to reflect her position as "Group Chief Financial Officer".

- In Exhibit 13, Ms. Vishakha Mulye's title has been amended to reflect her position as "Group Chief Financial Officer".

No attempt has been made in this Form 20-F/A to modify or update other disclosure presented in the Original Filing (including exhibits thereto), other than to correct the errors referred to above.

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CROSS REFERENCE SHEET

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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 generally accepted accounting principles in India ("Indian GAAP"). In this annual report, all references to "we", "our" and "us" are to ICICI Bank Limited and its consolidated subsidiaries and other consolidated entities under Indian GAAP subsequent to the amalgamation. References to specific data applicable to particular subsidiaries or other consolidated entities are made by reference to the name of that particular entity. References to "ICICI 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. References to "ICICI" are to ICICI Limited and its consolidated subsidiaries and other consolidated entities under Indian GAAP 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 sanctioned by the High Court of Gujarat at Ahmedabad on March 7, 2002 and by the High Court of Judicature at Bombay on April 11, 2002 and approved by the Reserve Bank of India on April 26, 2002.

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

In the financial statements contained in this annual report and the notes thereto, all references to "the Company" are to ICICI Bank Limited and its consolidated subsidiaries and other consolidated entities under Indian GAAP subsequent to the amalgamation, all references to the "acquiree" are to ICICI Limited prior to the amalgamation and all references to the "acquirer" are to ICICI Bank Limited prior to the amalgamation.

All references to the "Companies Act" and the "Banking Regulation Act" are to the Companies Act, 1956 and the Banking Regulation Act, 1949 as passed by the Indian Parliament and as amended from time to time.

Pursuant to the issuance and listing of our securities in the United States under registration statements filed with the United States Securities Exchange Commission, we file annual reports on Form 20-F which must include financial statements prepared under generally accepted accounting principles in the United States (US GAAP) or financial statements prepared according to a comprehensive body of accounting principles with a reconciliation of net income and stockholders' equity to US GAAP. When we first listed our securities in the United States, Indian GAAP was not considered a comprehensive body of accounting principles under US securities laws and regulations. Accordingly, our annual reports on Form 20-F for fiscal years 2000 through 2005 have included US GAAP financial statements. However, pursuant to a significant expansion of Indian accounting standards, Indian GAAP constitutes a comprehensive body of accounting principles. Accordingly, we have included in this annual report, as in the annual report for fiscal 2006, consolidated financial statements prepared according to Indian GAAP, with a reconciliation of net income and stockholders' equity to US GAAP and a description of significant differences between Indian GAAP and US GAAP.

Our annual report prepared and distributed to our shareholders under Indian law and regulations and our draft red herring prospectus filed with the Securities & Exchange Board of India for issue of equity shares in India include unconsolidated Indian GAAP financial statements and analysis of our results or operations and financial condition based on unconsolidated Indian GAAP financial statements.

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FORWARD-LOOKING STATEMENTS

We have included statements in this annual report which contain words or phrases such as “will”, “would”, “aim”, “aimed”, “will likely result”, “is likely”, “are likely”, “believe”, “expect”, “expected to”, “will continue”, “will achieve”, “anticipate”, “e “estimating”, “intend”, “plan”, “contemplate”, “seek to”, “seeking to”, “trying to”, “target”, “propose to”, “future”, “objective” “should”, “can”, “could”, “may”, “will pursue”, “our judgment” and similar expressions or variations of such expressions, that “forward-looking statements”. Actual results may differ materially from those suggested by the forward-looking statements due to certain risks or uncertainties associated with our expectations with respect to, but not limited to, the actual growth in demand for banking and other financial products and services, our ability to successfully implement our strategy, including our use of the Internet and other technology, our rural expansion, our ability to integrate recent or future mergers or acquisitions into our operations, our ability to manage the increased complexity of the risks we face following our rapid international growth, future levels of non-performing and restructured loans, our growth and expansion in domestic and overseas markets, the adequacy of our provisions for credit and investment losses, technological changes, investment income, our ability to market new products, cash flow projections, the outcome of any legal, tax or regulatory proceedings in India and in other jurisdictions we are or become a party to, the future impact of new accounting standards, our ability to pay dividends, the impact of changes in banking regulations and other regulatory changes in India and other jurisdictions on us, including on the assets and liabilities of ICICI, a former financial institution not subject to Indian banking regulations, our ability to roll over our short-term funding sources and our exposure to credit, market and liquidity risks. By their nature, certain of the market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains, losses or impact on net interest income and net income could materially differ from those that have been estimated.

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

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EXCHANGE RATES

Fluctuations in the exchange rate between the Indian rupee and the US dollar will affect the US dollar equivalent of the Indian rupee price of our equity shares on the Indian stock exchanges and, as a result, will affect the market price of our ADSs in the United States. These fluctuations will also affect the conversion into US dollars by the depositary of any cash dividends paid in Indian rupees on our equity shares represented by ADSs.

In early July 1991, the government adjusted the Indian rupee downward by an aggregate of approximately 20.0% against the US dollar. The adjustment was effected as part of an economic package designed to overcome economic and foreign exchange problems. After the Indian rupee was made convertible on the current account in March 1993, it depreciated on an average annual basis at a rate of approximately 5-6%. During fiscal 2004, the rupee appreciated against the US dollar, from Rs. 47.53 per US$ 1.00 at March 31, 2003 to Rs. 43.40 per US$ 1.00 at March 31, 2004. The rupee depreciated against the US dollar by 0.5% during fiscal 2005 and by 2.0% during fiscal 2006. During fiscal 2007, the rupee appreciated against the US dollar by 3.1%, moving from Rs. 44.48 per US$ 1.00 at March 31, 2006 to Rs. 43.10 per US$ 1.00 at March 30, 2007. During fiscal 2008 (through May 31, 2007), the rupee appreciated against the US dollar by 6.4% moving from Rs. 43.10 per US$ 1.00 at March 30, 2007 to Rs. 40.36 at May 31, 2007. The following table sets forth, for the periods indicated, certain information concerning the exchange rates between Indian rupees and US dollars based on the noon buying rate.

Fiscal Year	Period End(1)	Average(1)(2)
2003	47.53	48.36
2004	43.40	45.78
2005	43.62	44.87
2006	44.48	44.20
2007	43.10	45.06
2008 (through May 31, 2007)	40.36	40.70

Month	High	Low
November 2006	45.26	44.46
December 2006	44.70	44.11
January 2007	44.49	44.07
February 2007	44.21	43.87
March 2007	44.43	42.78
April 2007	43.05	40.56
May 2007	41.04	40.14

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

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

Although certain rupee amounts in this annual report have been translated into US dollars for convenience, this does not mean that the rupee amounts referred to could have been, or could be, converted into US dollars at any particular rate, the rates stated below, or at all. Except in the section on “Market Price Information”, all translations from rupees to US dollars are based on the noon buying rate in the City of New York for cable transfers in rupees at March 30, 2007.

The Federal Reserve Bank of New York certifies this rate for customs purposes on each date the rate is given. The noon buying rate at March 30, 2007 was Rs. 43.10 per US$ 1.00 and at May 31, 2007 was Rs. 40.36 per US$ 1.00.

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RISK FACTORS

You should carefully consider the following risk factors as well as other information contained in this annual report in evaluating us and our business.

Risks Relating to India

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

Any slowdown in the Indian economy or volatility of global commodity prices, in particular oil and steel prices, could adversely affect our borrowers and contractual counterparties. 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, our financial performance, our stockholders' equity, our ability to implement our strategy and the price of our equity shares and ADSs.

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. This could adversely affect our business including our liquidity, our ability to grow, the quality of our assets, our financial performance, our stockholders' equity, our ability to implement our strategy and the price of our equity shares and ADSs.

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 and ADSs.

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, our future financial performance, our stockholders' equity and the price of our equity shares and ADSs.

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 and ADSs.

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, our business, our future financial performance, our stockholders' equity and the price of our equity shares and ADSs.

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If regional hostilities, terrorist attacks or social unrest in some parts of the country increase, our business and the price of our equity shares and ADSs 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, our future financial performance, our stockholders' equity and the price of our equity shares and ADSs.

Trade deficits could adversely affect our business and the price of our equity shares and ADSs.

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, our financial performance, our stockholders' equity and the price of our equity shares and ADSs could be adversely affected.

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 and ADSs.

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% in 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.

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

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

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

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

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

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.

Risks Relating to Our Business

Our banking and trading activities are particularly vulnerable to interest rate risk and volatility in interest rates could adversely affect our net interest margin, the value of our fixed income portfolio, our income from treasury operations, the quality of our loan portfolio and our financial performance.

As a result of certain reserve requirements of the Reserve Bank of India, we are more structurally exposed to interest rate risk than banks in many other countries. See "Supervision and Regulation — Legal Reserve Requirements". These requirements result in our maintaining a large portfolio of fixed income government of India securities, and we could be materially adversely impacted by a rise in interest rates, especially if the rise were sudden or sharp. 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.

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

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 and the proportion of unsecured personal loans and credit card receivables in our retail loan has increased significantly. See "Business — Overview of ICICI Bank's Products and Services — Commercial Banking for Retail Customers". Various factors, including a rise in unemployment, prolonged recessionary conditions, a sharp and sustained rise in interest rates, developments in the Indian economy, movements in global commodity markets and exchange rates and global competition could cause an increase in the level of non-performing assets on account of these retail loans and have a material adverse impact on the quality of our loan portfolio. In addition, under the directed lending norms of the Reserve Bank of India, we are required to extend 50.0% of our residual adjusted 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 — Loan Portfolio — Directed Lending". We may experience a significant increase in non-performing assets in our directed lending portfolio, particularly loans to the agricultural sector and small-scale industries, where we are less able to control the portfolio quality and where economic difficulties are likely to affect our borrowers more severely. Any change by the Reserve Bank of India in the directed lending norms may result in our inability to meet the priority sector lending requirements as well as require us to increase our lending to relatively riskier segments and may result in an increase in non-performing assets in the directed lending portfolio. See also "—We have experienced rapid international growth in the last three years which has increased the complexity of the risks that we face" and "—Our rapid retail expansion in India and our rural initiative expose us to increased risks that may adversely affect our business".

We may not be able to control or reduce the level of non-performing assets in our project and corporate finance portfolio. We may not be successful in our efforts to improve collections and foreclose on existing non-performing assets. We also have investments in security receipts arising out of the sale of non-

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performing assets by us to Asset Reconstruction Company (India) Limited, a reconstruction company registered with the Reserve Bank of India. See "Business — Classification of Loans". There can be no assurance that Asset Reconstruction Company (India) Limited will be able to recover these assets and redeem our investments in security receipts and that there will be no reduction in the value of these investments.

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

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

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

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

A substantial portion of our loans to corporate and retail customers are secured by collateral. See "Business — Classification of Loans — Non-Performing Asset Strategy". Changes in asset prices may cause the value of our collateral to decline and we may not be able to realize the full value of our collateral as a result of delays in bankruptcy and foreclosure proceedings, 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.

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 and the price of our equity shares and ADSs". 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.

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

We have experienced rapid growth in our retail loan portfolio. See "Business – Loan Portfolio". 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 (US$ 22 million) for losses from frauds pertaining to the warehouse receipt-based financing product for agricultural credit. See also "— We are subject to legal and regulatory risk which may adversely affect our business and the price of our equity shares and ADSs".

We are subject to legal and regulatory risk which may adversely affect our business and the price of our equity shares and ADSs.

We 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 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 either in or outside the course of their services, or suspected or perceived failures by them, may result in inquiries or investigations by regulatory and enforcement authorities, in regulatory or enforcement action against either us, or such employees, representatives, agents and third party service providers. Such actions may impact our reputation, result in adverse media reports, lead to increased or enhanced regulatory or supervisory concerns, additional costs, penalties, claims and expenses being incurred by us or impact adversely our ability to conduct business.

In fiscal 2006, the Reserve Bank India imposed a penalty of Rs. 0.5 million (US$ 11,601) 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 US$ 5,120) and further ordered us to reimburse investigation costs to the Securities and Futures Commission. We have paid these amounts.

If we fail to manage our legal and regulatory risk in the many jurisdictions in which we operate, our business could suffer, our reputation could be harmed and we would be subject to additional legal 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

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jurisdiction in which we operate or have listed our securities have the power to bring administrative or judicial proceedings against us (or our employees, representatives, agents and third party service providers), which could result, among other things, in suspension or revocation of one or more of our licenses, cease and desist orders, fines, civil penalties, criminal penalties or other disciplinary action which could materially harm our 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.

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, the Reserve Bank of India 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 securitization, 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, the Reserve Bank of India 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%. The Reserve Bank of India has also issued draft guidelines on accounting for derivative instruments and 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.

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

Our standard assets include restructured standard loans. See “Business — Classification of Loans — Restructured Loans”. Our borrowers’ requirements to restructure their loans arose 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 stockholders’ equity and the price of our equity shares and ADSs.

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 the Reserve Bank of India. In September 2005, the Reserve Bank of India replaced the existing system of granting authorizations for opening individual branches with a system of giving aggregated approvals covering both branches and existing non-branch channels like ATMs, on an annual basis. While we have recently received the Reserve Bank of India's authorizations for establishing new branches and additional off-site ATMs, there can be no assurance that these authorizations or future authorizations granted by the Reserve Bank of India will meet our requirements for branch expansion to achieve the desired growth in our deposit base. High volumes of deposit withdrawals or failure of a substantial number of our depositors to roll over deposited funds upon maturity or to replace deposited funds with fresh deposits as well as our inability to grow our deposit base, could have an adverse effect on our liquidity position, our business, our future financial performance, our stockholders' equity and the price of our equity shares and ADSs. 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 and ADSs".

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

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

Our loan portfolio and non-performing asset portfolio have a high concentration in certain customers. See "Business – Loan Portfolio – Loan Concentration". In the past, certain of our borrowers have been adversely affected by economic conditions 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 stockholders' equity and the price of our equity shares and ADSs.

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 stockholders' equity and the price of our equity shares and ADSs.

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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 and ADSs.

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 reorganized 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. 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. See "Business—Insurance". If we are unable to implement this reorganization and raise capital in this proposed new subsidiary, we would be required to invest further capital to fund the growth of the insurance businesses. 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 and ADSs.

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" and "Operating Review and Prospects Insurance Segment". 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 and ADSs.

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. As described elsewhere in this Annual Report, see "Business Insurance" and "Operating Review and Prospects Insurance Segment", 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.

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.

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.

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.

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

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

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

We 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. 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 stockholders’ equity. Where we assess that there is a probable risk of loss, it is our policy to make provisions for the loss. However, we do not make provisions or disclosures in our financial statements where our assessment is that the risk is insignificant. See “Business – Legal and Regulatory

Proceedings". We cannot guarantee that the judgments in any of the litigation in which we are involved would be favorable to us and if our assessment of the risk changes, our view on provisions will also change.

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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 the Reserve Bank of India under its statutory powers. In the past, the Reserve Bank of India has ordered mergers of weak banks with other banks primarily in the interest of depositors of the weak banks.

On April 19, 2007 we received the Reserve Bank of India'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 and extension counters, total assets of Rs. 21.5 billion (US$ 499 million), total deposits of Rs. 20.0 billion (US$ 465 million), total loans of Rs. 8.9 billion (US$ 206 million) and total capital adequacy of only 1.6%. In fiscal 2006, it incurred a loss of Rs. 0.29 billion (US$ 7 million).

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.

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

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

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

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

Our business operations are based on a high volume of transactions. Although we take adequate measures to safeguard against system-related and other fraud, there can be no assurance that we would be able to prevent fraud. Our reputation could be adversely affected by fraud committed by employees, customers or outsiders. 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 (US$ 22 million) for losses from frauds pertaining to the warehouse receipt-based financing product for agricultural credit. See "Operating and Financial Review and Prospects Provisions for Non-performing Assets and Restructured Loans" and "Business Risk Management—Operational Risk". Physical or electronic break-ins, security breaches, other disruptive problems caused by our increased use of the Internet or power disruptions could also affect the security of information stored in and transmitted through our computer systems and network infrastructure. Although we have implemented security technology and operational procedures to prevent such occurrences, there can be no assurance that these security measures will be successful. A significant failure in security measures could have a material adverse effect on our business. our future financial performance, our stockholders' equity and the price of our equity shares and ADSs.

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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 and adversely affect the price of our equity shares and ADSs.

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), misreporting or non-reporting with respect to statutory, legal or regulatory reporting and disclosure obligations, or operational errors, including clerical or record keeping errors or errors resulting from faulty computer or telecommunications systems. 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, like collections, to other agencies. Given our high volume of transactions, certain errors may be repeated or compounded before they are discovered and successfully rectified. In addition, our dependence upon automated systems to record and process transactions may further increase the risk that technical system flaws or employee tampering or manipulation of those systems will result in losses that are difficult to detect. We may also be subject to disruptions of our operating systems, arising from events that are wholly or partially beyond our control (including, for example, computer viruses or electrical or telecommunication outages), which may give rise to 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 and insurance companies we have suffered losses from operational risk and there can be no assurance that we will not suffer losses from operational risks in the future that may be material in amount, and our reputation could be adversely affected by the occurrence of any such events involving our employees, customers or third parties. For a discussion of how operational risk is managed, see "Business — Risk Management — Operational Risk".

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

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

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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 and ADSs". 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, our liquidity and the price of our equity shares and ADSs". 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 — Risk Management — Quantitative and Qualitative Disclosures About Market Risk — Liquidity Risk".

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

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

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

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".

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

Under Indian GAAP, 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. 26.7 billion (US$ 620 million) from Rs. 27.6

billion (US$ 641 million) and for fiscal 2006 to Rs. 23.7 billion (US$ 550 million) from Rs. 24.2 billion (US$ 562 million).

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”. Adverse movements and volatility in foreign exchange rates may adversely affect our borrowers, the quality of our exposure to our borrowers and our business.

Risks Relating to the ADSs and Equity Shares

You will not be able to vote your ADSs and your ability to withdraw equity shares from the depositary facility is uncertain and may be subject to delays.

Our ADS holders have no voting rights unlike holders of our equity shares who have voting rights. For certain information regarding the voting rights of the equity shares underlying our ADSs, see “Business – Shareholding Structure and Relationship with the Government of India”. If you wish, you may withdraw the equity shares underlying your ADSs and seek to exercise your voting rights under the equity shares you obtain from the withdrawal. However, for foreign investors, this withdrawal process may be subject to delays and is subject to a cap of 49% on the total shareholding of foreign institutional investors and non-resident Indians in us. For a discussion of the legal restrictions triggered by a withdrawal of the equity shares from the depositary facility upon surrender of ADSs, see “Restriction on Foreign Ownership of Indian Securities”.

Your ability to sell in India any equity shares withdrawn from the depositary facility, the conversion of rupee proceeds from such sale into a foreign currency and the repatriation of such foreign currency may be subject to delays if specific approval of the Reserve Bank of India is required.

ADS holders seeking to sell in India any equity shares withdrawn upon surrender of ADSs, convert the rupee proceeds from such sale into a foreign currency or repatriate such foreign currency may need the Reserve Bank of India’s approval for each such transaction. See “Restriction on Foreign Ownership of Indian Securities”. We cannot guarantee that any such approval will be obtained in a timely manner or at terms favorable to the investor. Because of possible delays in obtaining the requisite approvals, investors in equity shares may be prevented from realizing gains during periods of price increases or limiting losses during periods of price declines.

Restrictions on deposit of equity shares in the depositary facility could adversely affect the price of our ADSs.

Under current Indian regulations, an ADS holder who surrenders ADSs and withdraws equity shares may deposit those equity shares again in the depositary facility in exchange for ADSs. An investor who has purchased equity shares in the Indian market may also deposit those equity shares in the ADS program. However, the deposit of equity shares may be subject to securities law restrictions and the restriction that the cumulative aggregate number of equity shares that can be deposited as of any time cannot exceed the cumulative aggregate number represented by ADSs converted into underlying equity shares as of such time. These restrictions increase the risk that the market price of our ADSs will be below that of the equity shares.

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 “Business – Shareholding Structure and Relationship with the Government of India”. Any substantial sale of our equity shares by these or other large shareholders could adversely affect the price of our equity shares and ADSs.

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Conditions in the Indian securities market may adversely affect the price or liquidity of our equity shares and ADSs.

The Indian securities markets are smaller and more volatile than securities markets in developed economies. In the past, the Indian stock exchanges have experienced high volatility and other problems that have affected the market price and liquidity of the listed securities, including temporary exchange closures, broker defaults, settlement delays and strikes by brokers. In March 1995, the Bombay Stock Exchange (the "BSE"), was closed for three days following a default by a broker. In March 2001, the BSE dropped 667 points or 15.6% and there were also rumors of insider trading in the BSE leading to the resignation of the BSE president and several other members of the governing board. In the same month, the Kolkata Stock Exchange suffered a payment crisis when several brokers defaulted and the exchange invoked guarantees provided by various Indian banks. In April 2003, the decline in the price of the equity shares of a leading Indian software company created volatility in the Indian stock markets and created temporary concerns regarding our exposure to the equity markets. On May 17, 2004, the BSE Sensex fell by 565 points from 5,070 to 4,505, creating temporary concerns regarding our exposure to the equity markets. Both the BSE and the National Stock Exchange (the "NSE") halted trading on the exchanges on May 17, 2004 in view of the sharp fall in prices of securities. The Indian securities markets experienced rapid appreciation during fiscal 2006 but underwent a sharp correction in May 2006. The markets experienced a recovery thereafter but have experienced periods of volatility. Further, from time to time, disputes have arisen between listed companies and stock exchanges and other regulatory bodies, which in some cases had a negative effect on market sentiment. In recent years, there have been changes in laws and regulations for the taxation of dividend income, which have impacted the Indian equity capital markets. See "Dividends". Similar problems or changes in the future could adversely affect the market price and liquidity of our equity shares and ADSs.

An active or liquid trading market for our ADSs is not assured.

Although our ADSs are listed and traded on the New York Stock Exchange, we cannot be certain that an active, liquid market for our ADSs will be sustained. Indian legal restrictions may limit the supply of ADSs and a loss of liquidity could increase the price volatility of our ADSs.

Settlement of trades of equity shares on Indian stock exchanges may be subject to delays.

The equity shares represented by the ADSs are currently listed on the BSE and the NSE. Settlement on those stock exchanges may be subject to delays and an investor in equity shares withdrawn from the depositary facility upon surrender of ADSs may not be able to settle trades on such stock exchanges in a timely manner.

Changes in Indian regulations on foreign ownership, a change in investor preferences or an increase in the number of ADSs outstanding could adversely affect the price of our ADSs.

ADSs issued by companies in certain emerging markets, including India, may trade at a discount or a premium to the underlying equity shares, in part because of the restrictions on foreign ownership of the underlying equity shares. See "Restriction on Foreign Ownership of Indian Securities". Historically, our ADSs have generally traded at a small premium to the trading price of our underlying equity shares on the Indian stock exchanges. See "Market Price Information". We believe that this price premium resulted from the limited portion of our market capitalization represented by ADSs, restrictions imposed by Indian law on the conversion of equity shares into ADSs and an apparent preference among some investors to trade dollar-denominated securities. In fiscal 2006, we conducted a US$ 498 million offering of ADSs which increased the number of outstanding ADSs and we may conduct similar offerings in the future. Also, over time, some of the restrictions on the issuance of ADSs imposed by Indian law have been relaxed. As a result, any premium enjoyed by the ADSs as compared to the equity shares may be reduced or eliminated as a result of offerings made or sponsored by us, changes in Indian law permitting further conversion of equity shares into ADSs or a change in investor preferences.

Your holdings may be diluted by additional issuances of equity and any dilution may adversely affect the market price of our equity shares and ADSs.

We propose to conduct a capital raising exercise comprising a public offering in India and an ADS offering aggregating Rs. 201.25 billion (US$ 4.7 billion). This capital raising exercise will result in a dilution of your shareholding. We may conduct additional equity offerings to fund the growth of our business, including our

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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 future issuance of equity shares or ADSs or exercise of employee stock options would dilute the positions of investors in equity shares and ADSs and could adversely affect the market price of our equity shares and ADSs.

You may be unable to exercise preemptive rights available to other shareholders.

A company incorporated in India must offer its holders of equity shares preemptive rights to subscribe and pay for a proportionate number of shares to maintain their existing ownership percentages prior to the issuance of any new equity shares, unless these rights have been waived by at least 75.0% of the company's shareholders present and voting at a shareholders' general meeting. US investors in ADSs may be unable to exercise these preemptive rights for equity shares underlying ADSs unless a registration statement under the Securities Act of 1933, as amended (the "Securities Act") is effective with respect to such rights or an exemption from the registration requirements of the Securities Act is available. Our decision to file a registration statement will depend on the costs and potential liabilities associated with any such registration as well as the perceived benefits of enabling US investors in ADSs to exercise their preemptive rights and any other factors we consider appropriate at such time. To the extent that investors in ADSs are unable to exercise preemptive rights, their proportional ownership interests in us would be reduced.

Because the equity shares underlying the ADSs are quoted in rupees in India, you may be subject to potential losses arising out of exchange rate risk on the Indian rupee.

Investors who purchase ADSs are required to pay for the ADSs in US dollars and are subject to currency fluctuation risk and convertibility risks since the equity shares underlying the ADSs are quoted in rupees on the Indian stock exchanges on which they are listed. Dividends on the equity shares will also be paid in rupees and then converted into US dollars for distribution to ADS investors. Investors who seek to convert the rupee proceeds of a sale of equity shares withdrawn upon surrender of ADSs into foreign currency and repatriate the foreign currency may need to obtain the approval of the Reserve Bank of India for each such transaction. See also "–Your ability to sell in India any equity shares withdrawn from the depositary facility, the conversion of rupee proceeds from such sale into a foreign currency and the repatriation of such foreign currency may be subject to delays if specific approval of the Reserve Bank of India is required" and "Exchange Rates".

You may be subject to Indian taxes arising out of capital gains.

Generally, capital gains, whether short-term or long-term, arising on the sale of the underlying equity shares in India are subject to Indian capital gains tax. Investors are advised to consult their own tax advisers and to carefully consider the potential tax consequences of an investment in the ADSs. See "Taxation – Indian Tax".

There may be less company information available in Indian securities markets than in securities markets in the United States.

There is a difference between India and the United States in the level of regulation and monitoring of the securities markets and the activities of investors, brokers and other market participants. The Securities and Exchange Board of India is responsible for improving disclosure and regulating insider trading and other matters for the Indian securities markets. There may, however, be less publicly available information about Indian companies than is regularly made available by public companies in the United States.

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BUSINESS

Overview

We 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. In fiscal 2007, we made a net profit of Rs. 27.6 billion (US$ 640 million) compared to a net profit of Rs. 24.2 billion (US$ 562 million) in fiscal 2006. At year-end fiscal 2007, we had assets of Rs. 3,943.3 billion (US$ 91.5 billion) and a net worth of Rs. 239.6 billion (US$ 5.6 billion). At year-end fiscal 2007, ICICI Bank was the second-largest bank in India and the largest bank in the private sector in terms of total assets. At May 15, 2007, ICICI Bank had the largest market capitalisation among all banks in India.

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. In addition to foreign exchange and derivatives products for our customers, our treasury operations include maintenance and management of regulatory reserves and proprietary trading in equity and fixed income. We also offer agricultural and rural banking products. ICICI Securities and ICICI Securities Primary Dealership are engaged in equity underwriting and brokerage and primary dealership in government securities respectively. ICICI Securities owns ICICIDirect.com, an online brokerage platform. Our venture capital and private equity fund management subsidiary, ICICI Venture Funds Management Company manages funds. We provide a wide range of life and general insurance and asset management products and services, respectively, through our subsidiaries ICICI Prudential Life Insurance Company Limited, ICICI Lombard General Insurance Company Limited and ICICI Prudential Asset Management Company Limited. According to data published by the Insurance Regulatory and Development Authority of India, ICICI Prudential Life Insurance Company had a retail market share of about 28% in new business written (on weighted received premium basis) by private sector life insurance companies and about 9.9% in new business written (on weighted received premium basis) by all life insurance companies in India during fiscal 2007. According to data published by the Insurance Regulatory and Development Authority of India, ICICI Lombard General Insurance Company Limited had a market share of about 34% in gross written premium among the private sector general insurance companies and 12% among all general insurance companies in India during fiscal 2007. ICICI Prudential Life Insurance Company and ICICI Lombard General Insurance Company were the market leaders among private sector life and general insurance companies respectively in fiscal 2007. According to data published by the Association of Mutual Funds in India, ICICI Prudential Asset Management Company Limited was among the top two mutual funds in India in terms of total funds under management at April 30, 2007 with a market share of over 12%. We cross-sell the products of our insurance and asset management subsidiaries to our customers.

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, Bahrain and Qatar 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.

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.

ICICI Bank's legal name is ICICI Bank Limited but we are known commercially as ICICI Bank. ICICI Bank was incorporated on January 5, 1994 under the laws of India as a limited liability corporation. The duration of ICICI Bank is unlimited. Our principal corporate office is located at ICICI Bank Towers, Bandra-Kurla Complex, Mumbai 400051, India, our telephone number is +91 22 2653 1414 and our website address is www.icicibank.com. The

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contents of our website are not incorporated in this annual report. Our agent for services of process in the United States is Mr. G.V.S Ramesh, Joint General Manager, ICICI Bank Limited, New York Representative Office, 500 Fifth Avenue, Suite 2830, New York, New York 10110.

History

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

ICICI Bank was incorporated in 1994 as a part of the ICICI group. ICICI Bank's initial equity capital was contributed 75.0% by ICICI and 25.0% by SCICI Limited, a diversified finance and shipping finance lender of which ICICI owned 19.9% at December 1996. Pursuant to the merger of SCICI into ICICI, ICICI Bank became a wholly-owned subsidiary of ICICI. ICICI's holding in ICICI Bank reduced due to additional capital raising by ICICI Bank and sale of shares by ICICI, pursuant to the requirement stipulated by the Reserve Bank of India 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 several years. Conversion into a bank offered ICICI the ability to accept low-cost demand deposits and offer a wider range of products and services, and greater opportunities for earning non-fund based income in the form of banking fees and commissions. ICICI Bank also considered various strategic alternatives in the context of the emerging competitive scenario in the Indian banking industry. ICICI Bank identified a large capital base and size and scale of operations as key success factors in the Indian banking industry. In view of the benefits of transformation into a bank and the Reserve Bank of India's pronouncements on universal banking, ICICI and ICICI Bank decided to merge.

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

Shareholding Structure and Relationship with the Government of India

The following table sets forth, at June 8, 2007, certain information regarding the ownership of our equity shares.

	Percentage of total	Number of equity shares held

	equity shares outstanding	
Government-controlled shareholders:		
Life Insurance Corporation of India	7.63	68,877,253
General Insurance Corporation of India and government-owned general insurance companies	3.86	34,915,794
Other government-controlled institutions, corporations and banks	0.62	5,529,247
Total government-controlled shareholders	12.11	109,322,294
Other Indian investors:		
Individual domestic investors (1) (2)	6.55	59,169,907
Indian corporates and others (1) (2)	5.62	50,753,862
Mutual funds and banks (other than government-controlled banks)	4.59	41,384,714
Total other Indian investors	16.76	151,308,483
Total Indian investors	28.87	260,630,777
Foreign investors:		
Deutsche Bank Trust Company Americas, as depositary	24.95	225,255,320
Allamanda Investments Pte Limited	7.34	66,234,627
Other foreign institutional investors, foreign banks, overseas corporate bodies and non-resident Indians (excluding Allamanda Investments Pte Limited)(1)(2)	38.84	350,736,657
Total foreign investors	71.13	642,226,604
Total	**100.00**	**902,857,381**

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(1) Executive officers and directors as a group held about 0.5% of the equity shares as of this date.

(2) No single shareholder in this group owned 5.0% or more of ICICI Bank's equity shares as of this date.

In April 2004, we issued 115,920,758 equity shares to foreign and domestic institutional investors and domestic retail investors at a price of Rs. 280 (US$ 6.50) per share, totaling Rs. 32.5 billion (US$ 754 million). In March 2005, we sponsored an offering of ADSs by our shareholders, resulting in the issuance of 20,685,750 ADSs representing 41,371,500 equity shares sold by our equity shareholders, at a price of US$ 21.11 per ADS, aggregating approximately US$ 437 million. The proceeds of the offering, net of expenses, were distributed to the selling shareholders. In December 2005, we concluded a capital raising exercise issuing 148,204,556 equity shares, raising a total of Rs. 80.0 billion (US$ 1.9 billion) through the first simultaneous public issue in India and ADS issue in the United States, with a Public Offering Without Listing of ADSs in Japan. The issue was priced at Rs. 498.75 (US$ 11.57) per share for retail investors in India, Rs. 525 (US$ 12.18) per share for other investors in the Indian offering and US$ 26.75 per ADS for ADS issue in the United States.

The holding of government-controlled shareholders was 12.11% at June 8, 2007 against 13.31% at June 9, 2006 and 15.83% at June 10, 2005. The holding of Life Insurance Corporation of India was 7.63% at June 8, 2007 against 8.22% at June 9, 2006 and 9.86% at June 10, 2005.

We operate as an autonomous and commercial enterprise, making decisions and pursuing strategies that are designed to maximize shareholder value, and the Indian government has never directly held any of our shares. We are not aware of or a party to any shareholders' agreement or voting trust relating to the ownership of the shares held by the government-controlled shareholders. We do not have any agreement with our government-controlled shareholders regarding management control, voting rights, anti-dilution or any other matter. Our Articles of Association provide that the government of India is entitled, pursuant to the provisions of guarantee agreements between the government of India and ICICI, to appoint a representative to our board. The government of India has appointed one representative to our board. We have invited a representative of each of the government-controlled insurance companies that are among our principal institutional shareholders, Life Insurance Corporation of India and General Insurance Corporation of India to join our board. Mr. T. S. Vijayan, Chairman of Life Insurance Corporation of India was appointed as a director effective April 30, 2005. Mr. R. K. Joshi the then Chairman-cum-Managing Director of General Insurance Corporation of India was appointed as a director effective October 13, 2005. Mr. Joshi has retired as Chairman-cum-Managing Director of General Insurance Corporation of India effective May 1, 2007. See "Management — Directors and Executive Officers" for a discussion of the composition of our board of directors.

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The holding of other Indian investors was 16.76% at June 8, 2007 against 13.90% at June 9, 2006 and 11.40% at June 10, 2005. The total holding of Indian investors was 28.87% at June 8, 2007 against 27.21% at June 9, 2006 and 27.23% at June 10, 2005. The holding of foreign investors was 71.13% at June 8, 2007 against 72.79% at June 9, 2006 and 72.77% at June 10, 2005. See "Supervision and Regulation — Reserve Bank of India Regulations — Ownership Restrictions".

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 depository has the right to vote on the equity shares represented by the ADSs, as directed by our board of directors. Under the Indian Banking Regulation Act, no person holding shares in a banking company can exercise more than 10.0% of the total voting power. This means that Deutsche Bank Trust Company Americas (as depositary), which held of record approximately 24.95% of our equity shares as of June 8, 2007 against 26.76% as of June 9, 2006 and 27.28% at June 10, 2005, could only vote 10.0% of our equity shares, in accordance with the directions of our board of directors. See "Overview of the Indian Financial Sector — Recent Structural Reforms — Proposed Amendments to the Banking Regulation Act". Except as stated above, no shareholder has differential voting rights.

Strategy

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

The key elements of our business strategy are to:

- focus on quality growth opportunities by:
  - maintaining and enhancing our strong retail 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.

Overview of ICICI Bank's Products and Services

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

Commercial Banking for Retail Customers

With upward migration of household income levels, affordability and availability of retail finance and acceptance of the 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 as a larger base of retail credit 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 products, customer convenience, wide distribution, strong processes and prudent risk management. Cross-selling of the entire range of credit and investment products and banking services to our

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customers is a critical aspect of our retail strategy.

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

Retail Lending Activities

We offer a range of retail asset products, including home loans, automobile loans, commercial business loans (including primarily commercial vehicle loans), two wheeler loans, personal loans, credit cards, loans against time deposits and loans against securities. 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. 1,364.5 billion (US$ 31.7 billion) at year-end fiscal 2007. Our retail asset products are generally fixed rate products repayable in equal monthly installments with the exception of our floating rate home loan portfolio, where any change in the benchmark rate to which the rate of interest on the loan is referenced is passed on to the borrower on the first day of the succeeding quarter or 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. See also "Risk Factors – Risks Relating to Our Business – Our banking and trading activities are particularly vulnerable to interest rate risk and volatility in interest rates could adversely affect our net interest margin, the value of our fixed income portfolio, our income from treasury operations, the quality of our loan portfolio and our financial performance".

The following table sets forth, at the dates indicated, the composition of ICICI Bank's gross (net of write-offs) retail finance portfolio.

	At year-end fiscal 2006		**At year-end fiscal 2007**	
	Rs. (in billion)	**US$ (in million)**	**Rs. (in billion)**	**US$ (in million)**
Home loans[1]	Rs. 505.1	US$. 11,720	Rs. 703.5	US$ 16,323
Automobile loans	188.7	4,379	191.9	4,453
Commercial business	120.5	2,796	202.2	4,691
Personal loans	61.1	1,418	125.3	2,906
Credit card receivables	35.4	822	60.8	1,411
Two wheeler loans	21.0	487	23.3	540
Others[2]	49.7	1,152	57.5	1,334
Total	981.6	22,774	1,364.5	31,658

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(1) Includes developer financing (Rs. 45.9 billion (US$ 1,065 million) at year-end fiscal 2007).

(2) Includes dealer funding (Rs. 33.2 billion (US$ 770 million) at year-end fiscal 2007).

The proportion of retail loans and credit card receivables in the total retail portfolio increased from 9.8% at year-end fiscal 2006 to 13.6% at year-end fiscal 2007.

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

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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 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 (US$ 4,640) to Rs. 2.5 million (US$ 58,005) per customer.

Retail Deposits

Our retail deposit products include time deposits and savings accounts. We also offer targeted products to specific customer segments such as high net worth individuals, defense personnel, trusts and businessmen, and have corporate salary account products. During fiscal 2007, we launched special term deposit products for periods of 390, 590 and 890 days. Further, we offer an international debit card in association with VISA International. At year-end fiscal 2007, we had a debit card base of about 10.0 million cards. We offer current account products to our small and medium enterprise customers.

For a description of the Reserve Bank of India’s regulations applicable to deposits in India and required deposit insurance, see “Regulations and Policies - Regulations Relating to Deposits” and “Regulations and Policies — Deposit Insurance”. For more information on the type, cost and maturity profile of our deposits, see “-Funding”.

Bond Issues

We offer retail liability products in the form of a variety of unsecured redeemable bonds. The Reserve Bank of India has prescribed limits for issuance of bonds by banks. During 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.

Other Fee-Based Products and Services

Through our distribution network, we offer government of India savings bonds, insurance policies from ICICI Prudential Life Insurance Company and ICICI Lombard General Insurance Company and distribute public offerings of equity shares by Indian companies. We also offer a variety of mutual fund products from ICICI Prudential Asset Management Company and other select mutual funds. 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 depositary participant of the National Securities Depository Limited and Central Depository Services (India) Limited, we offer depositary share accounts to settle securities transactions in a dematerialized mode. Further, we are one of the banks designated by the Reserve Bank of India for issuing approvals to non-resident Indians and overseas corporate bodies to trade in shares and convertible debentures on the Indian stock exchanges.

Commercial Banking for Corporate Customers

We provide a range of commercial 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 "—Loan

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Portfolio—Loan Concentration”. For a description of our credit rating and approval system, see “—Risk Management—Credit Risk—Credit Risk Assessment Procedures for Corporate Loans”.

Our project finance business consists principally of extending medium-term and long-term rupee 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 securitization techniques to credit enhance our traditional lending products.

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

Fee and Commission-Based Activities

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

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

We also offer cash management services (such as collection, payment and remittance services), escrow, trust and retention account facilities, online payment facilities, custodial services and tax collection services on behalf of the government of India and the governments of Indian states. We also offer custodial services to clients. At year-end fiscal 2007, total assets held in custody on behalf of our clients (mainly foreign institutional investors, offshore funds, overseas corporate bodies and depositary banks for GDR investors) were Rs. 910.5 billion (US$ 21.1 billion). As a registered depositary participant of National Securities Depository Limited and Central Depository Services (India) Limited, the two securities depositaries operating in India, we also provide electronic depositary facilities to investors.

Corporate Deposits

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

Foreign Exchange and Derivatives

We provide customer specific products and services which cater to risk hedging needs of corporates at domestic and international locations, arising out of currency and interest rate fluctuations. Our Global Markets Group designs these products and covers the risk in the inter-bank market.

The products and services offered include:

Foreign exchange products

These products 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. 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.

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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.

Our risk management products are offered to clients and fulfill the internal guidelines as set by the management. 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.

Our international branches and banking subsidiaries invest in credit derivatives, including credit default swaps , credit linked notes and collateralized debt obligations. At year-end fiscal 2007, the outstanding investment in credit derivatives comprised Rs. 31,507 million (US$ 731 million) in funded instruments and Rs. 60,400 million (US$ 1,401 million) of notional principal amount in unfunded instruments. The exposures through these derivatives are governed by investment policies which lay 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. The Reserve Bank of India's directed lending norms require us to lend a portion of our advances to the rural and agricultural sector. See " – Loan Portfolio – Directed Lending". 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 risks that may adversely affect our business.". 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 institution partners, third-party kiosks and franchisees. See also "—Competition".

Commercial Banking for International Customers

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

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

- Money2India: an Internet-based wire transfer remittance facility. 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

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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: 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 focuses primarily on non-resident Indians and direct banking currently. 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 the United Kingdom has established a branch in Antwerp, Belgium 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.

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, the Reserve Bank of India has stipulated that at least 25.0% of our branches must be located in semi-urban and rural areas. The following table sets forth the number of branches broken down by area at year-end fiscal 2007.

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	At March 31, 2007	
	Number of branches and extension counters	% of total
Metropolitan/urban	478	63%
Semi-urban/rural	277	37%
Total branches and extension counters[1]	755	100.0%

Pursuant to the amalgamation of Sangli Bank with us effective April 19, 2007 our branch network has increased by over 190 branches and extension counters.

At year-end fiscal 2007, we had 3,271 ATMs, of which 1,150 were located at our branches and extension counters. Through our website www.icicibank.com, we offer our customers online access to account information and payment and fund transfer facilities. We provide Internet banking services to our corporate clients through ICICI e-business, a finance portal which is the single point web-based interface for all our corporate clients. We provide telephone banking services through our call center. At year-end fiscal 2007, our call center had over 4,400 workstations in India. We offer mobile phone banking services to our customers using any cellular telephone service operator in India.

Investment Banking

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

Treasury

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

Our domestic 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. Under the Reserve Bank of India's statutory liquidity ratio requirement, ICICI Bank is required to maintain a minimum of 25.0% of its net demand and time liabilities by way of approved securities, such as government of India securities and state government securities. See "Supervision and Regulation – Legal Reserve Requirements – Statutory Liquidity Ratio." ICICI Bank maintains the statutory liquidity ratio through a portfolio of government of India securities that it actively manages to optimize the yield and benefit from price movements.

Further, we engage in domestic and foreign exchange operations. 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 the Asset Liability Management Committee.

Our domestic 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 the Reserve Bank of India. Investments acquired by us with the

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intention to trade by taking advantage of the short-term price/interest rate movements are classified as held for trading. The investments which do not fall in the above two categories are classified as available for sale. Investments under the held for trading category should be sold within 90 days; in the event of inability to sell due to adverse factors including tight liquidity, extreme volatility or a unidirectional movement in the market, the unsold securities should be shifted to the available for sale category. Under each category the investments are classified under (a) government securities (b) other approved securities (c) shares (d) bonds and debentures (e) subsidiaries and joint ventures and (f) others. Investments classified under the held to maturity category are not marked to market and are carried at acquisition cost, unless it is more than the face value, in which case the premium is amortized over the period of such securities. At year-end fiscal 2007, 76.2% of ICICI Bank's government securities portfolio was in the held to maturity category. The individual scrips in the available for sale category are marked to market. Investments under this category are valued scrip-wise and depreciation / appreciation is aggregated for each classification. Net depreciation, if any, is provided for. Net appreciation, if any, is ignored. The individual 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 composition of our total trading portfolio.

	At March 31(1)			
	2005	**2006**	**2007**	**2007**
	(in millions)			
Government securities	Rs. 13,691	Rs. 16,806	Rs. 30,070	US$ 698
Securities purchased under agreement to resell	24,000	40,000	1,057	25
Bonds and debentures(2)	5,556	18,247	60,149	1,396
Equity shares	4,783	6,232	5,688	132
Mutual funds	37,957	35,624	34,447	799
Total	Rs. 85,987	Rs. 116,909	Rs. 131,411	US$ 3,050

(1) Excludes assets held to cover linked liabilities of our life insurance business amounting to Rs. 130,100 million (US$ 3.0 billion) for fiscal 2007, Rs. 70,788 million for fiscal 2006 and Rs. 26,541 million for fiscal 2005.
(2) Includes mortgage backed securities.

The following table sets forth, for the periods indicated, certain information related to interest and dividends on our trading portfolio, net gain from the sale of trading investments and gross unrealized gain/(loss) the trading portfolio.

	Year ended March 31,			
	2005	**2006**	**2007**	**2007**
	(in millions)			
Interest and dividends on trading portfolio	Rs. 1,904	Rs. 3,137	Rs. 7,402	US$ 172
Gain on sale of trading portfolio	1,239	1,979	676	16
Unrealized gain/(loss) on trading portfolio	(85)	(162)	(86)	(2)
Total	Rs. 3,058	Rs. 4,954	Rs. 7,992	US$ 186

In addition to our trading portfolio, we also hold available for sale investments. The following tables set forth, at the dates indicated, certain information related to our available for sale investments portfolio.

	At March 31, 2005			
	Amortized cost	**Gross unrealized gain**	**Gross unrealized loss**	**Fair value**

(in millions)

Corporate debt securities	Rs. 19,203	Rs. 1,342	Rs. (177)	Rs. 20,368
Government securities	34,005	-	(1)	34,004
Other securities[(1)]	6,562	52	(3)	6,611
Total debt investments	59,770	1,394	(181)	60,983
Equity shares	19,802	5,619	(990)	24,431
Other investments[(2)]	34,766	3,109	(539)	37,336
Total	Rs. 114,338	Rs. 10,122	Rs. (1,710)	Rs. 122,750

(1) Includes credit linked notes.
(2) Includes preference shares, mutual fund units, venture fund units, security receipts and pass through certificates.

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	At March 31, 2006			
	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair value
	(in millions)			
Corporate debt securities	Rs. 34,424	Rs. 238	Rs. (502)	Rs. 34,160
Government securities	116,024	-	-	116,024
Other securities(1)	12,947	22	(19)	12,950
Total debt securities	163,395	260	(521)	163,134
Equity shares	23,056	7,024	(1,191)	28,889
Other investments(2)	63,460	3,833	(1,090)	66,203
Total	Rs. 249,911	Rs. 11,117	Rs. (2,802)	Rs. 258,226

(1) Includes credit linked notes.
(2) Includes preference shares, mutual fund units, venture fund units, security receipts and pass through certificates.

	At March 31, 2007			
	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair value
	(in millions)			
Corporate debt securities	Rs. 87,166	Rs. 305	Rs. (1,012)	Rs. 86,459
Government securities	167,670	4	(48)	167,626
Other securities(1)	77,650	596	(463)	77,783
Total debt securities	332,486	905	(1,523)	331,868
Equity shares	24604	12,659	(2,147)	35,116
Other investments(2)	42346	2,854	(945)	44,255
Total	Rs. 399,436	Rs. 16,418	Rs. (4,615)	Rs. 411,239

(1) Includes credit linked notes
(2) Includes preference shares, mutual fund units, venture fund units, security receipts and pass through certificates.

The following table sets forth, for the period indicated, income from available for sale securities.

	Year ended March 31,			
	2005	2006	2007	2007
	(in millions)			
Interest	Rs. 8,901	Rs. 6,970	Rs. 14,976	US$ 347
Dividend	925	1,746	2,749	64
Total	Rs. 9,826	Rs. 8,716	Rs. 17,725	US$ 411
Gross realized gain	Rs. 5,815	Rs. 9,509	Rs. 14,045	326
Gross realized loss	(1,838)	(1,258)	(4,634)	(108)
Total	Rs. 3,977	Rs. 8,251	Rs. 9,411	US$ 218

The following table sets forth, at the date indicated, an analysis of the maturity profile of our investments in debt securities as available for sale investments, and yields thereon. This maturity profile is based on repayment dates and does not reflect re-pricing dates of floating rate investments.

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	At March 31, 2007							
	Up to one year		One to five years		Five to 10 years		More than 10 years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(in millions)							
Corporate debt securities	Rs. 1,442	10.6%	Rs. 56,479	5.4%	Rs. 25,639	5.2%	Rs. 3,606	7.6%
Government of India securities	157,863	6.8%	5,607	6.9%	4,200	7.7%	-	
Other securities	12,114	6.5%	50,689	8.4%	14,847	8.3%		
Total amortized cost of interest-earning securities	Rs.171,419	6.8%	Rs. 112,775	6.8%	Rs. 44,685	6.4%	Rs. 3,606	7.6%
Total fair value	Rs. 171,514		Rs. 112,913		Rs. 44,096		Rs. 3,345	

The amortized cost of our held to maturity portfolio amounted to Rs. 544.3 billion (US$ 12.6 billion) at year-end fiscal 2007 (Rs. 417.5 billion (US$ 9.7 billion) at year-end fiscal 2006, Rs. 335.0 billion (US$ 7.8 billion) at year-end fiscal 2005). The gross unrealized gain on this portfolio was Rs. 6.8 billion (US$ 157 million) at year-end fiscal 2007 (Rs. 7.9 billion (US$ 183 million) at year-end fiscal 2006, Rs. 5.9 billion (US$ 137 million) at year-end fiscal 2005). The gross unrealized loss on this portfolio was Rs. 12.8 billion (US$ 298 million) at year-end fiscal 2007 (Rs. 8.0 billion (US$ 186 million) at year-end fiscal 2006, Rs. 6.9 billion (US$ 160 million) at year-end fiscal 2005).

We have a limited equity portfolio because the Reserve Bank of India restricts investments by a bank in equity securities. See also "Supervision and Regulation – Reserve Bank of India Regulations – Regulations relating to Investments and Capital Market Exposure Limits".

In general, we pursue a strategy of active management of our long-term equity portfolio to maximize return on investment. To ensure compliance with the Securities and Exchange Board of India's insider trading regulations, all dealings in our equity investments in listed companies are undertaken by the equity and corporate bonds dealing desks of our treasury, which are segregated from our other business groups as well as the other groups and desks in the treasury, and which do not have access to unpublished price sensitive information about these companies that may be available to us as a lender.

We deal in several major foreign currencies and take deposits from non-resident Indians in four major foreign currencies. We also manage onshore accounts in foreign currencies. The foreign exchange treasury manages its portfolio through money market and foreign exchange instruments to optimize yield and liquidity.

We provide a variety of risk management products to our corporate and small and medium enterprise clients, including foreign currency forward contracts and currency and interest rate swaps. We control market risk and credit risk on our foreign exchange trading portfolio through an internal model which sets counterparty limits, stop-loss limits and limits on the loss of the entire foreign exchange trading operations and exception reporting. See also "Risk Management – Quantitative and Qualitative Disclosures About Market Risk – Exchange Rate Risk".

ICICI Securities Primary Dealership and ICICI Securities Limited

ICICI Securities Primary Dealership Limited and ICICI Securities Limited are engaged in equity underwriting and brokerage and primary dealership in Government securities.

Venture capital and private equity

Our subsidiary ICICI Venture Funds Management Company Limited manages funds that provide venture capital funding to start-up companies and private equity to a range of companies. At year-end fiscal 2007, ICICI Venture managed or advised funds of approximately Rs. 98.0 billion (US$ 2.3 billion).

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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 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". 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 transfers 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 (US$ 150 million) 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 (US$ 1.2 billion) during fiscal 2007 as compared to Rs. 26.0 billion (US$ 604 million) during fiscal 2006, a growth of 98.4%. According to data published by the Insurance Regulatory and Development Authority of India, 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 (US$ 16 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 (US$ 697 million) during fiscal 2007 as compared to Rs. 15.9 billion (US$ 369 million) during fiscal 2006, a growth of 88.7%. According to data published by the Insurance Regulatory and Development Authority of India, 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 approved subject to the receipt of all regulatory approvals, 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. 22.3 billion (US$ 517 million) at year-end fiscal 2007 and any further investments that may be made by it prior to such transfer, to the proposed new subsidiary at the book value of these investments in its 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. 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 and ADSs."

Funding

Our funding operations are designed to ensure stability of funding, minimize funding costs and effectively manage liquidity. Since the amalgamation of ICICI with ICICI Bank, the primary source of funding has been deposits raised from both retail and corporate customers. We also raise funds through short-term rupee borrowings and domestic or overseas bond offerings pursuant to specific regulatory approvals. Because ICICI was not allowed to raise banking deposits as a financial institution, its primary sources of funding prior to the amalgamation were retail bonds and rupee borrowings from a wide range of institutional investors. ICICI also raised funds through foreign currency borrowings from commercial banks and other multilateral institutions like the Asian Development

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Bank and the World Bank, which were guaranteed by the government of India. With regard to these guarantees by the Government of India for purposes of obtaining foreign currency borrowings, the Government of India has, in its letter dated May 31, 2007, instructed us to take steps to either repay or prepay such foreign currency borrowings for which a guarantee has been provided by the Government of India or to substitute the guarantees provided by the Government of India with other acceptable guarantees. At 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.

Our deposits were 63.0% of our total liabilities at year-end fiscal 2007 compared to 62.2% of our total liabilities at year-end fiscal 2006. Our borrowings were 15.6% of our total liabilities at year-end fiscal 2007 compared to 16.2% of our total liabilities at year-end fiscal 2006. Our deposits increased 44.2% to Rs. 2,486.1 billion (US$ 57.7 billion) at year-end fiscal 2007 compared to Rs. 1,724.5 billion (US$ 40.0 billion) at year-end fiscal 2006. 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. Our borrowings increased to Rs. 616.6 billion (US$ 14.3 billion) at year-end fiscal 2007 compared to Rs. 450.0 billion (US$ 10.4 billion) at year-end fiscal 2006, primarily due to the increase in foreign currency borrowings.

The following table sets forth, for the periods indicated, the break-up of deposits by type of deposit.

	Year ended March 31,					
	2005		2006		2007	
	Amount	% to total	Amount	% to total	Amount	% to total
	(in billions, except percentages)					
Current account deposits	Rs. 125.9	12.5 %	Rs. 163.9	9.5 %	Rs. 214.5	8.6 %
Savings deposits	116.6	11.5	242.6	14.1	375.3	15.1
Time deposits	768.6	76.0	1,318.0	76.4	1,896.3	76.3
Total deposits	**Rs. 1,011.1**	**100.0 %**	**Rs. 1,724.5**	**100.0 %**	**Rs. 2,486.1**	**100.0 %**

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

	Year ended March 31, (1)						
	2005		2006		2007		
	Amount	Cost(2)	Amount	Cost(2)	Amount	Amount	Cost(2)
	(in millions, except percentages)						
Interest-bearing deposits:							
Savings deposits	Rs. 98,111	2.3 %	Rs. 171,658	2.6 %	Rs. 327,726	US$ 7,604	3.1 %
Time deposits	583,332	5.2	940,272	5.9	1,512,914	35,102	7.6

Non-interest-bearing deposits:							
Other demand deposits	87,082	-	142,849	-	174,354	4,045	-
Total deposits	Rs. 768,525	4.2 %	Rs. 1,254,779	4.8 %	Rs. 2,014,994	US$ 46751	6.2 %

(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.
(2) Represents interest expense divided by the average of quarterly balances.

Our average deposits in fiscal 2007 were Rs. 2,015.0 billion (US$ 46.8 billion) at an average cost of 6.2% compared to average deposits of Rs. 1,254.8 billion (US$ 29.1 billion) at an average cost of 4.8% in fiscal 2006. Our average time deposits in fiscal 2007 were Rs. 1,512.9 billion (US$ 35.1 billion) at an average cost of 7.6% compared to average time deposits of Rs. 940.3 billion (US$ 21.8 billion) in fiscal 2006 at an average cost of 5.9%.

The following table sets forth, at the date indicated, the maturity profile of deposits by type of deposit.

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	At March 31, 2007			
	Up to one year	After one year and within three years	After three years	Total
	(in millions)			
Interest-bearing deposits:				
Savings deposits	Rs. 375,330	Rs. -	Rs. -	Rs. 375,330
Time deposits	1,634,169	178,151	83,986	1,896,306
Non-interest-bearing deposits:				
Other demand deposits	214,500	-	-	214,500
Total deposits	Rs. 2,223,999	Rs. 178,151	Rs. 83,986	Rs. 2,486,136

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

	Year ended March 31,(1)						
	2005		2006		2007		
	Amount	% to total	Amount	% to total	Amount	Amount	% to total
	(in millions, except percentages)						
SLR bonds(2)	Rs. 14,815	4.3 %	Rs. 14,815	4.2 %	Rs. 14,815	US$ 344	4.1 %
Borrowings from Indian government(3)	4,689	1.4	3,581	1.0	2,568	60	0.7
Other borrowings(4)(5)	321,307	94.3	331,511	94.8	345,203	8009	95.2
Total	Rs. 340,811	100.0 %	Rs. 349,907	100.0 %	Rs. 362,586	US$ 8,413	100.0 %

(1) Average of quarterly balances at the end of March of the previous fiscal year and June, September, December and March of the concerned fiscal year for each of fiscal years 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 9.1% in fiscal 2005, 9.3% in fiscal 2006 and 9.4% in fiscal 2007.
(5) Includes publicly and privately placed bonds, borrowings from institutions and wholesale deposits such as inter-corporate deposits, certificate of deposits and call borrowings.

The following table sets forth, at the date indicated, the maturity profile of our rupee term deposits of Rs. 10 million (US$ 232,019) or more.

At March 31,

	2007		% of total deposits
	(in millions, except percentages)		
Less than three months	Rs. 454,432	US$ 10,544	18.3 %
Above three months and less than six months	261,666	6,071	10.5 %
Above six months and less than 12 months	562,091	13,042	22.6 %
More than 12 months	133,753	3,103	5.4 %
Total deposits of Rs. 10 million and more	Rs. 1,411,942	US$ 32,760	56.8 %

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The following table sets forth, at the dates indicated, certain information related to short-term rupee borrowings, which consist of certificates of deposits, borrowings from government-owned companies and inter-bank borrowings.

	At March 31,[1]		
	2005	**2006**	**2007**
	(in millions, except percentages)		
Year-end balance	Rs. 80,711	Rs. 106,542	Rs. 121,567
Average balance during the year [2]	50,150	84,910	101,652
Maximum quarter-end balance	80,711	106,542	123,495
Average interest rate during the year [3]	5.8 %	7.8 %	7.8 %
Average interest rate at year-end [4]	5.9 %	7.3 %	8.8 %

(1) Short-term borrowings includes borrowings in the call market and repurchase agreements.
(2) Average of quarterly balances at the end of March of the previous fiscal year, June, September, December and March of that fiscal year for each of fiscal 2005, 2006 and 2007.
(3) Represents the ratio of interest expense on short-term borrowings to the average of quarterly balances of short-term borrowings.
(4) Represents the weighted average rate of the short-term borrowings outstanding at fiscal year-end.

The following table sets forth, at the dates 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 borrowings is provided in the footnotes.

	At March 31, [1]						
	2005		**2006**		**2007**		
	Amount	**% to total**	**Amount**	**% to total**	**Amount**	**Amount**	**% to total**
	(in millions, except percentages)						
Commercial borrowings [2]	Rs. 86,886	77.6 %	Rs. 166,524	87.4 %	Rs. 306,136	US$ 7,103	92.8 %
Multilateral borrowings [3]	25,080	22.4	24,034	12.6	23,740	551	7.2
Total	Rs. 111,966	100.0 %	Rs. 190,558	100.0 %	Rs. 329,876	US$ 7,654	100.0 %

(1) Average of quarterly balances at the end of March of the previous fiscal year, 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, 4.6% in fiscal 2006 and 5.4% 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. 212.2 billion (US$ 4.9 billion). This debt is classified as Tier 1 and Tier 2 capital in calculating the capital adequacy ratio in accordance with the Reserve Bank of India's regulations on capital adequacy. See "Supervision and Regulation – Reserve Bank of India Regulations".

Risk Management

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

ICICI Bank is primarily exposed to credit risk, market risk, liquidity risk, operational risk and legal risk. ICICI Bank has 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 ICICI Bank's principal risks in accordance with well-defined policies and procedures. The Global Risk Management Group is further organized into the Global Credit Risk Management Group and the Global Market and Operational Risk Management Group. In addition, the Credit and Treasury Middle Office Groups and the Global Operations Group monitor operational adherence to regulations, policies and internal approvals. The Global Risk Management Group, Middle Office Groups and Global Operations Group report to a wholetime Director. The Compliance Group reports to the Audit Committee of the

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board of directors and the Managing Director and CEO. The Internal Audit Group reports 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 ICICI Bank's 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 ICICI Bank's liquidity and market risk exposure. For a discussion of these and other committees, see “Management”.

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

Credit Risk

ICICI Bank's credit policy is approved by its board of directors. In its lending operations, ICICI Bank is 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 ICICI Bank, principally the failure to make required payments on loans and interest due to ICICI Bank. ICICI Bank measures, monitors and manages credit risk for each borrower and at the portfolio level. ICICI Bank has 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, ICICI Bank assesses a variety of risks relating to the borrower and the relevant industry. Borrower risk is evaluated by considering:

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

Industry risk is evaluated by considering:

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

After conducting an analysis of a specific borrower's risk, the Global Credit Risk Management Group assigns a credit rating to the borrower. ICICI Bank has 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. ICICI Bank determines the desired credit risk spread over its cost of funds by considering the borrower's credit rating and the default pattern corresponding to 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. ICICI Bank also reviews 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), ICICI Bank reviews the loan arrangement and the credit rating of the borrower and takes a decision on continuation of the arrangement and changes in the loan covenants as may be necessary.

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Project Finance Procedures

ICICI Bank has a strong framework for the appraisal and execution of project finance transactions. ICICI Bank believes that this framework creates optimal risk identification, allocation and mitigation, and helps minimize residual risk.

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

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

ICICI Bank's project finance credits are generally fully secured and have full recourse to the borrower. In most cases, ICICI Bank has a security interest and first lien on all the fixed assets and a second lien on all the current assets of the borrower. Security interests typically include property, plant and equipment as well as other tangible assets of the borrower, both present and future. ICICI Bank's borrowers are required to maintain comprehensive insurance on their assets where ICICI Bank is recognized as payee in the event of loss. In some cases, ICICI Bank also takes 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, ICICI Bank also takes 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 ICICI Bank's current practice to normally disburse funds after the entire project funding is committed and all necessary contractual arrangements have been entered into. Funds are disbursed in tranches to pay for approved project costs as the project progresses. When ICICI Bank appoints technical and market consultants, they are required to monitor the project's progress and certify all disbursements. ICICI Bank also requires the borrower to submit periodic reports on project implementation, including orders for machinery and equipment as well as expenses incurred. Project completion is contingent upon satisfactory operation of the project for a certain minimum period and, in certain cases, the establishment of debt service reserves. We continue to monitor the credit exposure until our loans are fully repaid.

Corporate Finance Procedures

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

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The focus of our structured corporate finance products is on cash flow based financing. ICICI Bank has 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.

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

With respect to financing for corporate mergers and acquisitions, 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

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

Working capital facilities are primarily secured by inventories 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

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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.

ICICI Bank uses direct marketing associates as well as its own branch network and employees for marketing retail credit products. However, credit approval authority lies only with ICICI Bank's 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.

ICICI Bank's 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, ICICI Bank has implemented a credit-scoring program that is an automated credit approval system that assigns a credit score to each applicant based on certain demographic attributes like income, educational background and age. The credit score then forms 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 its credit decisions, ICICI Bank draws upon reports from the Credit Information Bureau (India) Limited (CIBIL). However, CIBIL has become operational recently and does not yet provide a credit score. ICICI Bank also avails the services of certain private agencies operating in India to check applications before disbursement. as a formal national credit bureau has only recently become operational in India. A centralized retail credit team undertakes review and audit of credit quality and processes across different products.

ICICI Bank has established centralized operations to manage operating risk in the various back office processes of ICICI Bank's retail loan business except for a few operations which are decentralized to improve turnaround time for customers.

ICICI Bank has 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. ICICI Bank also makes 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.

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

Small Enterprises Loan Procedures

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

The group is also involved in financing based on a cluster-based approach, that is, financing of small enterprises that have a homogeneous profile such as apparel manufacturers and manufacturers of pharmaceuticals. The risk assessment of such a 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

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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. ICICI Bank seeks to design 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. ICICI Bank attempts to enhance the credit quality of the pool of dealers, vendors and farmers by strengthening the structure of the transaction.

For some segments, ICICI Bank uses a cluster-based approach wherein a lending program is implemented for a homogeneous group of individuals or business entities that comply with certain laid down parameterized norms. To be eligible for funding under the programs, the borrowers need to meet the stipulated credit norms and obtain a minimum score on the scoring model. ICICI Bank has incorporated control norms, borrower approval norms and review triggers in all the programs. ICICI Bank has recently undertaken a comprehensive review of its credit disbursal, monitoring and collection processes and is seeking to institute appropriate process changes.

ICICI Bank’s 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, ICICI Bank made a provision of Rs. 0.93 billion (US$ 22 million) 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. ICICI Bank appoints third party management and collection agents to market the product. It appoints 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 third party management and collection agents and collateral management agency staff. ICICI Bank has undertaken a comprehensive review of the product and has 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 risks that may adversely affect our business.”

Credit Approval Authorities

ICICI Bank's credit approval authorisation framework is laid down by our board of directors. ICICI Bank has 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.

ICICI Bank's board of directors have delegated the authority to the Credit Committee, consisting of a majority of independent directors, the Committee of Directors, consisting of our wholetime directors, to the Committee of Executives (Credit), to the Regional Committee (Credit), Retail Credit Forums, Small Enterprise Group Forums and Agri Credit Forums, all consisting of our designated executives, and to individual executives in the case of program / policy based products, to approve financial assistance within certain individual and group exposure limits set by the board of directors.

Quantitative and Qualitative Disclosures About Market Risk

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

Market Risk Management Procedures

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

The Asset Liability Management Committee comprises whole time directors and senior 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. 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. ICICI Bank prepares interest rate risk reports on a fortnightly basis. These reports are submitted to the Reserve Bank of India on a monthly basis. Interest rate risk is further monitored through interest rate risk limits approved by the Asset Liability Management Committee.

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

Our primary source of funding is deposits and, to a smaller extent, borrowings. In the rupee market, most of our deposit taking is at fixed rates of interest for fixed periods, except for savings deposits and current deposits, which do not have any specified maturity and can be withdrawn on demand. We usually borrow for a fixed period with a one-time repayment on maturity, with some borrowings having European call/put options, exercisable only on specified dates, attached to them. However, we have a mix of floating and fixed interest rate assets. Our loans generally are repaid more gradually, with principal repayments being made over the life of the loan. Our housing loans at 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

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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.

The following table sets forth, at the date indicated, our asset-liability gap position.

	At March 31, 2007[1]			
	Less than or equal to one year	Greater than one year and up to 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
Stockholders' equity 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.

The following table sets forth, at the date indicated, the amount of our loans with residual maturities greater than one year that had fixed and variable interest rates.

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	At March 31, 2007		
	Fixed rate loans	Variable rate loans	Total
		(in millions)	
	Rs.	Rs.	Rs.
Loans	828,182	810,308	1,638,490

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 net interest income for fiscal 2008, assuming a parallel shift in the yield curve at year-end fiscal 2007.

	At March 31, 2007 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 net interest income from the banking book for fiscal 2008 would rise by Rs. 1.1 billion (US$ 26 million) 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, net interest income for fiscal 2008 would fall by an equivalent amount of Rs. 1.1 billion (US$ 26 million). Based on our asset and liability position at year-end fiscal 2006, the sensitivity model showed that net interest income from the banking book for fiscal 2007 would have risen by Rs. 2.0 billion (US$ 46 million) if interest rates increased by 100 basis points during fiscal 2007. Conversely, the sensitivity model showed that if interest rates decreased by 100 basis points during fiscal 2007, net interest income for fiscal 2007 would have fallen by an equivalent amount of Rs. 2.0 billion (US$ 46 million).

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

Price Risk (Trading book)

We undertake trading activities to enhance earnings through profitable trading for our own account. ICICI Securities Primary Dealership Limited is a primary dealer in government of India securities, and a significant proportion of its portfolio consists of government of India securities.

The following tables sets forth, using the 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 rupee fixed income trading portfolio for fiscal 2008, assuming a parallel shift in yield curve.

	At March 31, 2007 Change in interest rates (in basis points)				
	Portfolio	(100)	(50)	50	100

	Size		(in millions)		
Government of India securities	Rs. 5,861	Rs. 229	Rs. 115	Rs. (115)	Rs. (229)
Corporate debt securities	5,553	61	31	(31)	(61)
Total	Rs. 11,414	Rs. 290	Rs. 146	Rs. (146)	Rs. (290)

At year-end fiscal 2007, the total value of our rupee fixed income trading portfolio was Rs. 11.4 billion (US$ 265 million). If interest rates increased by 100 basis points during fiscal 2008, the value of this portfolio would fall

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by Rs. 290 million (US$ 7 million). Conversely, if interest rates fell by 100 basis points during fiscal 2008, the value of this portfolio would rise by Rs. 290 million (US$ 7 million). At year-end fiscal 2006, the total value of our rupee fixed income trading portfolio was Rs. 22.7 billion (US$ 526 million). If interest rates had increased by 100 basis points during fiscal 2007, the value of this portfolio would have fallen by Rs. 818 million (US$ 19 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 (US$ 19 million).

At year-end fiscal 2007, the total outstanding notional principal amount of our trading interest rate derivatives portfolio was Rs. 3,436.9 billion (US$ 79.7 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 (US$ 32.0 million). At year-end fiscal 2007, the total outstanding notional principal amount of our trading currency derivatives (options and cross currency interest rate swaps) portfolio was Rs. 732.1 billion (US$ 17.0 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 (US$ 8 million).

Equity Risk

We assume equity risk both as part of our investment book and our trading book. Investments in equity shares and preference shares are essentially long-term in nature. A part of our investment in equity securities have been driven by our project and corporate 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. For further information on our trading and available for sale investments, see " – Overview of ICICI Bank's Products and Services – Investment Banking – Treasury."

We also invest in the corpus of equity capital/venture funds, primarily those managed by our subsidiary ICICI Venture Funds Management Company Limited. These funds invest in equity/equity linked instruments. Our investments through these funds are thus 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. We actively use cross currency swaps, forwards, and options to economically hedge against exchange risks arising out of these transactions. Trading activities in the foreign currency markets expose us to exchange rate risks. This risk is mitigated by setting counterparty limits, stipulating daily and cumulative stop-loss limits, and engaging in exception reporting.

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

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

Liquidity Risk

Liquidity risk arises in the funding of lending, trading and investment activities and in the management of trading positions. It includes both the risk of unexpected increases in the cost of funding an asset portfolio at appropriate maturities and the risk of being unable to liquidate a position in a timely manner at a reasonable price.

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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.

Our subsidiary in the UK offers an internet based online savings deposit product to depositors. The total amount of such deposits as at year-end fiscal 2007 was Rs. 78.6 billion (US$ 1.8 billion). These deposits are payable on demand. At present, these deposits are classified as outflow in the less than eight days liquidity bucket as required by the Financial Services Authority of UK. ICICI Bank UK deploys these funds in a portfolio of short-term deposits and marketable securities. It therefore may face liquidity risk in case of high volumes of deposit withdrawals, failure of a substantial number of depositors to roll over deposited funds upon maturity or to replace deposited funds with fresh deposits.

For further information on liquidity risk, see "Operating and Financial Review of Prospects – Liquidity Risk."

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. Our exposure to operational risk has increased following our retail expansion, our international expansion, our growth in treasury operations and our rural initiative. For a discussion on our vulnerability to operational risk, see "Risk Factors – Risks Relating to Our Business - There is operational risk associated with our industry which, when realized, may have an adverse impact on our business".

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.

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 (US$ 23,202) 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 identification 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 post-dated 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.

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 ICICI Bank's retail asset operations are centralized at Mumbai, Delhi and Chennai. The central operations unit is located in Mumbai and the regional operations units at Delhi and Chennai. These central and regional units support operations relating to retail asset products across the country.

The central operations unit carries out accounting, reconciliation and repayment management activities for all retail asset products. The regional operations units manage disbursement of approved credit facilities. There are no

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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 centralized in Mumbai. These centralized operations comprise separate operations teams for trade finance, cash management and general banking operations. The centralized 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 ICICI Bank's 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 the Reserve Bank of India guidelines, issued from time to time. The group anti-money laundering policy is applicable to all our activities. The unique anti-money laundering regulatory requirements for overseas units are provided separately as an addendum to the group anti-money laundering policy. Our anti-money laundering standards are primarily based on two pillars, namely, know your customer and monitoring/reporting of suspicious transactions. The group anti-money laundering policy specifies a risk-based approach in implementing the anti-money laundering framework. The 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 employees on a periodic basis.

Global risk management framework

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

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

Audit

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

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

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

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

Legal and Regulatory Risk

We are involved in various litigations and are subject to a wide variety of banking and financial services laws and regulations in each of the jurisdictions in which we operate. We are also subject to a large number of regulatory and enforcement authorities in each of these jurisdictions. 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 "Legal and Regulatory Proceedings", "Risk Factors—Risks Relating to Our Business— We are subject to legal and regulatory risk which may adversely affect our business and the price of our equity shares and ADSs.", " - We have experienced rapid international growth in the last three years which has increased the complexity of the risks that we face", " - We are subject to legal and regulatory risk which may adversely affect our business and the price of our equity shares and

ADSs.” and “—Regulatory changes in India or other jurisdictions in which we operate could adversely affect our business”.

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, re-balanced 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.

Controls and Procedures

We carried out an evaluation under the supervision and with the participation of the Management, including the Managing Director & Chief Executive Officer (CEO) and the Group Chief Financial Officer (CFO), of the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15(e) of the Exchange Act as of March 31, 2007.

As a result, it has been concluded that, as of the end of the period covered by this report, the disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed in the reports we file and submit under the Exchange Act is recorded, processed, summarized and reported as and when required.

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However, as a result of our evaluation, we noted certain areas where our processes and controls could be improved. We are committed to continuing to implement and improve internal controls and our risk management processes, and this remains a key priority for us. The Group also has a process whereby business and financial officers throughout the group attest to the accuracy of financial information reported in corporate systems as well as the effectiveness of disclosure controls, procedures and processes.

There are inherent limitations to the effectiveness of any system especially of disclosure controls and procedures, including the possibility of human error, circumvention or overriding of the controls and procedures, in a fast changing environment or when entering new areas of business or expanding geographic reach. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

The Group is experiencing significant growth in a fast changing environment, and the Management is aware that this may pose significant challenges to the control framework. For example, ICICI Bank is focusing on financing the rural, micro banking and agricultural business as a key business area where it is a recent entrant and is in the process of strengthening controls. Whilst ICICI Bank has also taken appropriate steps to minimize the fraud risk in financing the rural, micro banking and agricultural business, during the financial year ended March 31, 2007, a provision of Rs. 0.9 billion (USS$ 22 million) was made on account of identified frauds in warehouse receipt financing business of agricultural credit. See "Risk Factors – Risks Relating to Our Business – Our rapid retail expansion in India and our rural initiative expose us to increased risks that may adversely affect our business." 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. 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".

Management's report on internal control over financial reporting

The Management of ICICI Group is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act). ICICI Group's internal control system has been designed to provide reasonable assurance regarding the reliability of financial reporting and preparation and fair presentation of published financial statements in accordance with generally accepted accounting principles.

Management maintains an internal control system intended to ensure that financial reporting provide reasonable assurance that transactions are executed in accordance with the authorizations of Management and the Directors, assets are safeguarded and financial records are reliable.

The Group's internal controls include policies and procedures that:

- pertain to the maintenance of records that accurately and fairly reflect in reasonable detail the transactions and dispositions of assets of the Group;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that the Group's receipts and expenditures are made only in accordance with authorizations of Management and the Directors; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Group's assets that could have a material effect on the financial statements.

All internal control systems, no matter how well designed, have inherent limitations, and may not prevent or detect mis-statements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Management assessed the effectiveness of internal control over financial reporting as of March 31, 2007 based on criteria set for by the Committee of Sponsoring Organisations of Treadway Commission in Internal Control-

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Integrated Framework. Based on the assessment, Management concluded that ICICI Group's internal control over financial reporting was effective as of March 31, 2007. Management's assessment of the effectiveness of ICICI Group's internal control over financial reporting as of March 31, 2007 has been audited by KPMG, an independent registered public accounting firm, as stated in their attestation report which is included herein.

Change in internal control over financial reporting

No change in the Group's internal control over financial reporting occurred during the period covered by this annual report that has materially affected or is reasonably likely to materially affect the Group's internal control over financial reporting.

Loan Portfolio

Our gross loan portfolio was Rs. 2,137.1 billion (US$ 49.5 billion) at year-end fiscal 2007, an increase of 35.5% over the gross loan portfolio of Rs. 1,577.1 billion (US$ 36.6 billion) at year-end fiscal 2006. At year-end fiscal 2006, the gross loan portfolio increased 60.9% to Rs. 1,577.1 billion (US$ 36.6 billion) as compared to the gross loan portfolio of Rs. 980.4 billion (US$ 22.7 billion) at year-end fiscal 2005. At year-end fiscal 2007, approximately 81.8% of our gross loans were rupee loans.

Loan Portfolio by Categories

The following table sets forth, at the dates indicated, our gross rupee and foreign currency loans by business category.

	At March 31,					
	2003	**2004**	**2005**	**2006**	**2007**	
	(in millions)					
Consumer loans and credit card receivables[(1)]	**Rs. 179,646**	**Rs. 281,946**	**Rs. 532,138**	**Rs. 910,871**	**Rs. 1,276,977**	**US$ 29,628**
Rupee	179,646	281,494	526,541	895,116	1,248,484	28,967
Foreign currency	-	452	5,597	15,755	28,493	661
Commercial, financial, agricultural and others	**397,609**	**393,642**	**447,359**	**665,549**	**859,562**	**19,944**
Rupee	310,876	300,985	301,800	449,160	495,464	11,496
Foreign currency	86,733	92,657	145,559	216,389	364,098	8,448
Leasing and related activities[(2)]	**1,046**	**1,401**	**885**	**736**	**569**	**13**
Rupee	1,046	1,401	885	695	569	13
Foreign currency	-	-	-	41	-	-
Gross loans	**578,301**	**676,989**	**980,382**	**1,577,156**	**2,137,108**	**49,585**
Rupee	491,568	583,880	829,226	1,344,971	1,744,517	40,776
Foreign currency	86,733	93,109	151,156	232,185	392,591	9109
Total gross loans	**578,301**	**676,989**	**980,382**	**1,577,156**	**2,137,108**	**49,585**
Allowance for loan losses	(39,212)	(27,510)	(16,282)	(14,553)	(23,114)	(536)
Net loans	Rs. 539,089	Rs. 649,479	Rs. 964,100	Rs. 1,562,603	Rs. 2,113,994	US$ 49,049

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(1) Includes home loans, automobile loans, commercial business loans, two wheeler loans, personal loans, credit card receivables and farm equipment loans.

(2) Leasing and related activities includes leasing and hire purchase.

Our gross consumer loans and credit card receivables increased to Rs. 1,277.0 billion (US$ 29.6 billion), constituting 59.8% of our gross loans at year-end fiscal 2007 from Rs. 910.9 billion (US$ 21.1 billion), constituting 57.8% of our gross loans at year-end fiscal 2006. Our gross foreign currency loans increased from Rs. 232.2 billion (US$ 5.4 billion), constituting 14.7% of our total gross loans at year-end fiscal 2006 to Rs. 392.6 billion (US$ 9.1 billion), constituting 18.4% of our total gross loans at year-end fiscal 2007.

At year-end fiscal 2007, we had no cross-border outstandings (defined as loans in a non-local currency) over 1% of our assets in any country except in the United Kingdom where we had a significant amount of loans to UK borrowers denominated in dollars.

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Collateral – Completion, Perfection and Enforcement

Our loan portfolio consists largely of loans to retail customers, including home loans, automobile loans, two wheeler loans, commercial business loans, personal loans and credit card receivables, project and corporate finance and working capital loans to corporate borrowers and agricultural financing. In general, our loans (other than personal loans, credit card receivables and some forms of corporate and agricultural financing, which are unsecured) are over-collateralized. In India, there are no regulations stipulating loan-to-collateral limits.

There can be delays in completion of security interests by our borrowers or security providers, and we regularly review the status of security to be created, and have follow up mechanisms for ensuring due completion of security. The delays could be due to time taken for acquisition of the asset on which security interest is to be created (or formalities related thereto), obtaining of requisite consents including legal, statutory or contractual obligations to obtain such consents, obtaining of legal opinions as to title, availability of requisite consents and ability of the borrower or security providers to create valid, legal and enforceable security interests in the relevant jurisdictions and negotiation of terms for security interests.

Corporate finance and project finance loans are typically secured by a first lien on fixed assets, which normally consists of property, plant and equipment. These security interests are perfected by the registration of these interests within time limits stipulated under the Companies Act with the Registrar of Companies pursuant to the provisions of the Companies Act when our clients are constituted as companies. Perfection of security interests in immovable property requires a no-objection certificate from the income tax authorities. This registration amounts to a constructive public notice to other business entities of security interests created by such companies. We may also take security of a pledge of financial assets like marketable securities (for which perfection of security interests by registration with the Registrar of Companies is not mandatory for companies under the Companies Act), and obtain corporate guarantees and personal guarantees wherever appropriate.

Working capital loans are typically secured by a first lien on current assets, which normally consist of inventory and receivables. Additionally, in some cases, we may take further security of a first or second lien on fixed assets, a pledge of financial assets like marketable securities, or obtain corporate guarantees and personal guarantees wherever appropriate.

A substantial portion of our loans to retail customers (other than personal loans and credit card receivables, which are unsecured) is also secured by a first and exclusive lien on the assets financed (predominantly property and vehicles).

We are entitled in terms of our security documents to repossess security comprising assets such as plant, equipment and vehicles without reference to the courts or tribunals unless a client makes a reference to such courts or tribunals to stay our actions.

Separately, in India, foreclosure on collateral of property generally requires a written petition to an Indian court or tribunal based on amounts sought to be recovered. An application, when made, may be subject to delays and administrative requirements that may result, or be accompanied by, a decrease in the value of the collateral. These delays can last for several years leading to deterioration in the physical condition and market value of the collateral. In the event a corporate borrower makes an application for relief to a specialized authority called the Board for Industrial and Financial Reconstruction, foreclosure and enforceability of collateral is stayed. In fiscal 2003, the Indian Parliament passed the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, as amended, which strengthened the ability of lenders to resolve non-performing assets by granting them greater rights as to enforcement of security including over immovable property and recovery of dues, without reference to the courts or tribunals including the abatement of references to the Board for Industrial and Financial Reconstruction. See "Overview of the Indian Financial Sector – Recent Structural Reforms – Legislative Framework for Recovery of Debts due to Banks".

In case of consumer instalment loans, we obtain direct debit mandates or post-dated checks towards repayment on pre-specified dates. Post dated checks, if dishonored entitle us on occurrence of certain events to initiate criminal

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proceedings against the issuer of the checks.

We recognize that our ability to realize the full value of the collateral in respect of current assets is difficult, due to, among other things, delays on our part in taking immediate action, delays in bankruptcy foreclosure proceedings, defects in the perfection of collateral (including due to inability to obtain approvals that may be required from various persons, agencies or authorities) and fraudulent transfers by borrowers and other factors, including current legislative provisions or changes thereto and past or future judicial pronouncements. However, cash credit facilities are so structured that we are able to capture the cash flows of our customers for recovery of past due amounts. In addition, we generally have a right of set-off for amounts due to us on these facilities. Also, we regularly monitor the cash flows of our working capital loan customers so that we can take any actions required before the loan becomes impaired. On a case-by-case basis, we may also stop or limit the borrower from drawing further credit from its facility.

Loan Concentration

We follow a policy of portfolio diversification and evaluate our total financing exposure in a particular industry in light of our forecasts of growth and profitability for that industry. ICICI Bank's Global Credit Risk Management Group monitors all major sectors of the economy and specifically follows industries in which ICICI Bank has credit exposures. We seek to respond to any economic weakness in an industrial segment by restricting new credits to that industry segment and any growth in an industrial segment by increasing new credits to that industry segment, resulting in active portfolio management. ICICI Bank's policy is to limit its loan portfolio to any particular industry (other than retail loans) to 15.0% of total exposure. 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 63.8% of our gross loans and advances at year-end fiscal 2007 compared to 62.2% at year-end fiscal 2006 and 60.8% at year-end fiscal 2005.

Pursuant to the guidelines of the Reserve Bank of India, our credit exposure to individual borrowers must not exceed 15.0% of our capital funds, comprising Tier 1 and Tier 2 capital calculated pursuant to the guidelines of the Reserve Bank of India, under Indian GAAP. Credit exposure to individual borrowers may exceed the exposure norm of 15.0% of our capital funds by an additional 5.0% (i.e. 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. The exposure to a group of companies under the same management control, including exposure to infrastructure projects, may be up to 50.0% of our capital funds. With effect from June 1, 2004, banks may, in exceptional circumstances, with the approval of their boards, enhance the exposure by 5.0% of capital funds (i.e., 20.0% of capital funds for an individual borrower and 45.0% of capital funds for a group of companies under same management), making appropriate disclosures in their annual reports. Exposure for funded facilities is calculated as the total committed credit and investment sanctions or the outstanding funded amount, whichever is higher (for term loans, as undisbursed commitments plus the outstanding amount). Exposure for non-funded facilities is calculated as 100.0% of the committed amount or the outstanding non-funded amount whichever is higher. At year-end fiscal 2007, we were in compliance with these guidelines.

At year-end fiscal 2007, our largest non-bank borrower accounted for approximately 12.4% of our capital funds. The largest group of companies under the same management control accounted for approximately 29.9% of our capital funds.

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

	As at March 31,										
	2003		2004		2005		2006		2007		
	(Rs. in millions, except percentages)										
	Rs	%	Rs	%	Rs	%	Rs	%	Rs	US$	
Retail finance[1]	202,320	34.9%	360,228	53.2%	596,027	60.8%	981,550	62.2%	1,364,472	31,658	63
Services - finance	5,224	0.9%	10,632	1.6%	27,508	2.8%	74,356	4.7%	111,500	2,587	5
Services - non finance	23,308	4.0%	18,099	2.7%	18,648	1.9%	47,289	3.0%	64,342	1,493	3
Chemicals & fertilizers	24,624	4.3%	21,307	3.1%	18,372	1.9%	32,241	2.1%	53,768	1,248	2
Iron & steel and products	66,286	11.4%	55,377	8.2%	51,557	5.3%	51,717	3.3%	52,071	1,208	2
Food & beverages	13,862	2.4%	11,914	1.7%	16,956	1.7%	41,491	2.6%	50,863	1,180	2
Crude petroleum/ refining & petrochemicals	29,212	5.0%	24,761	3.6%	44,422	4.5%	46,185	2.9%	49,656	1,152	2
Power	36,816	6.4%	25,223	3.7%	18,217	1.9%	28,127	1.8%	41,917	973	2
Road, port, telecom, urban development & other infrastructure	18,698	3.2%	20,863	3.1%	35,519	3.6%	30,114	1.9%	29,873	693	1
Wholesale / retail trade	933	0.2%	650	0.1%	9,867	1.0%	14,842	1.0%	28,625	664	1
Electronics & engineering	34,085	5.9%	26,852	4.0%	19,742	2.0%	24,129	1.5%	21,863	507	1
Metal & products (excluding iron & steel)	5,392	0.9%	10,373	1.5%	15,552	1.6%	19,335	1.2%	10,672	248	0
Others [2]	118,926	20.5%	91,206	13.5%	108,230	11.0%	186,006	11.8%	257,993	5,986	12
Gross loans	579,686	100%	677,485	100%	980,617	100%	1,577,382	100%	2,137,615	49,597	1
Allowance for loan losses and interest suspense	(40,597)		(28,006)		(16,517)		(14,779)		(23,621)	(548)	
Net loans	539,089		649,479		964,100		1,562,603		2,113,994	49049	

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

(2) Others primarily include textiles, shipping, construction, manufacturing products (excluding iron & steel), cement, automobiles, drugs & pharmaceuticals, gems & jewellery, fast moving consumer goods, mining.

Our gross loan portfolio at year-end fiscal 2007 increased by 35.5% compared to the gross loan portfolio at year-end fiscal 2006. The largest increase was in retail finance, which was 63.8% of gross loans at year-end fiscal 2007 compared to 62.2% at year-end fiscal 2006 and 60.8% at year-end fiscal 2005. Our gross loans to the services - finance sector as a percentage of gross loans increased to 5.2% at year-end fiscal 2007 compared to 4.7% at year-end fiscal 2006. Our gross loans to the iron and steel sector as a percentage of gross loans decreased to 2.5% at year-end fiscal 2007 compared to 3.3% at year-end fiscal 2006.

At year-end fiscal 2007, our 20 largest borrowers accounted for approximately 9.3% of our gross loan portfolio, with the largest borrower accounting for approximately 1.3% of our gross loan portfolio. The largest group of companies under the same management control accounted for approximately 2.4% of our gross loan portfolio.

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Geographic Diversity

Our portfolios are geographically diversified throughout India. The state of Maharashtra accounted for the largest proportion of our gross loans outstanding at year-end fiscal 2007.

Directed Lending

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

Priority Sector Lending

Till fiscal 2007, the Reserve Bank of India guidelines required banks to lend 40.0% of their net bank credit (total domestic loans less marketable debt instruments and certain exemptions permitted by the Reserve Bank of India from time to time) 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, the Reserve Bank of India stipulated that since ICICI's loans transferred to ICICI Bank were not subject to the priority sector lending requirement, ICICI Bank is required to maintain priority sector lending of 50.0% of its net bank credit on the residual portion of its 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 ICICI Bank's aggregate priority sector advances reach a level of 40.0% of its total net bank credit. The Reserve Bank of India's existing instructions on sub-targets under priority sector lending and eligibility of certain types of investments/ funds for qualification as priority sector advances apply to ICICI Bank.

We report our priority sector loans to the Reserve Bank of India on a quarterly basis. The loans reported are as on the last "reporting Friday" of the quarter. At March 30, 2007, which was the last reporting Friday for fiscal 2007, ICICI Bank's priority sector loans were Rs. 574.6 billion (US$ 13.3 billion), constituting 45.9% of its residual net bank credit against the requirement of 50.0%.

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

	At March 30,			
	2007 (Rs.)	2007 (US$)	% of total priority sector lending	% of residual net bank credit
	(in millions, except percentages)			
Small scale industries[1]	3,235	75	0.6%	0.3%
Others including residential mortgage less than Rs. 1.5 million and small businesses	379,998	8,817	66.1%	30.3%
Agricultural sector [2]	191,337	4,439	33.3%	15.3%
Total	574,570	13,331	100.0%	45.9%

(1) Small scale industries are defined as manufacturing, processing and services businesses with a limit of Rs. 10.0 million (US$ 232,019) on investment in plant and machinery
(2) Includes direct agriculture lending of Rs. 91.6 billion (US$ 2.1 billion) constituting 7.3% of our residual net bank credit against the requirement of 13.5%

The Reserve Bank India has issued revised guidelines applicable from fiscal 2008 on lending to priority sectors.

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The guidelines have 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 issued by the government) or credit equivalent amount of off-balance sheet exposure, whichever is higher. Under the revised guidelines the limit for housing loans eligible for priority sector lending has been increased from Rs. 1.5 million (US$ 34,803) to Rs. 2.0 million (US$ 46,404) 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 (US$ 232,019) per borrower. One-third of loans in excess of Rs. 10.0 million (US$ 232,019) 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.

ICICI Bank is required to comply with the priority sector lending requirements as 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 lower than market rates. See "Supervision and Regulation – Directed Lending – Priority Sector Lending".

Export Credit

As part of directed lending, the Reserve Bank of India also requires banks to make loans to exporters at concessional rates of interest. Export credit is provided for pre-shipment and post-shipment requirements of exporter borrowers in rupees and foreign currencies. At the end of the any fiscal year, 12.0% of a bank's net bank credit is required to be in the form of export credit. This requirement is in addition to the priority sector lending requirement but credits extended to exporters that are small scale industries or small businesses may also meet part of the priority sector lending requirement. The Reserve Bank of India provides export refinancing for an eligible portion of total outstanding export loans at the bank rate prevailing in India from time to time. The interest income earned on export credits is supplemented through fees and commissions earned from these exporter customers from other fee-based products and services taken by them from us, such as foreign exchange products and bill handling. At March 30, 2007 (last reporting Friday for fiscal 2007), our export credit was Rs. 10.2 billion (US$ 237 million), constituting 0.8% of our residual net bank credit.

Housing Finance

The Reserve Bank of India requires banks to lend up to 3.0% of their incremental deposits in the previous fiscal year for housing finance. This can be in the form of home loans to individuals or investments in the debentures and bonds of the National Housing Bank and housing development institutions recognized by the government of India. At March 30, 2007 (last reporting Friday for March 2007), ICICI Bank's housing finance loans qualifying as priority sector loans were Rs. 286.9 billion (US$ 6.7 billion) and was well above the minimum requirement prescribed by the Reserve Bank of India.

Loan pricing

As required by the Reserve Bank of India guidelines and the advice issued by the Indian Banks' Association effective January 1, 2004, we price our loans (other than fixed rate loans and certain categories of loans to individuals and agencies specified by the Indian Banks' Association, including 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 reference to a benchmark prime lending rate, called the ICICI Bank Benchmark Advance Rate. The Asset Liability Management Committee of our board of directors fixes the ICICI Benchmark Advance Rate based on cost of funds, cost of operations and credit charge as well as yield curve factors, such as interest rate and inflation expectations, as well as market demand for loans of a certain term. The ICICI Benchmark Advance Rate is 15.75% per annum payable monthly, effective April 1, 2007. The lending rates comprise ICICI Benchmark Advance Rate, term premium and transaction-specific credit and other charges.

Classification of Loans

We classify our assets as performing and non-performing in accordance with the Reserve Bank of India's guidelines except in the case of ICICI Home Finance Company and our banking subsidiaries in Canada, Russia and the United Kingdom. ICICI Home Finance Company classifies loans and other credit facilities as per the National Housing Bank guidelines. Loans of our Canadian, Russian and UK subsidiaries are classified as impaired when there is no longer a reasonable assurance of the timely collection of the full amount of principal or interest. Under the Reserve Bank of India guidelines, an asset is classified as non-performing if any amount of interest or principal remains overdue for more than 90 days (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). Further, non-performing assets are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by the Reserve Bank of India. The Reserve Bank of India has separate guidelines for restructured loans. See below "-Restructured Loans".

The classification of assets as per the Reserve Bank of India guidelines is detailed below.

Standard assets:	Assets that do not disclose any problems or which do not carry more than normal risk attached to the business are classified as standard assets.
Sub-standard assets:	Sub-standard assets comprise assets that are non-performing for a period not exceeding 12 months (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.

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

Restructured Loans

The Reserve Bank of India has separate guidelines for restructured loans. A fully secured standard loan can be restructured by reschedulement of principal repayments and/or the interest element, but must be separately disclosed as a restructured loan in the year of restructuring. The amount of sacrifice, if any, in the element of interest, measured in present value terms, is either written off or provision is made to the extent of the sacrifice involved. Similar guidelines apply to sub-standard 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

We make provisions and write-offs in accordance with the Reserve Bank of India's guidelines; see "Supervision and Regulation – Reserve Bank of India Regulations – Loan Loss Provisions and Non-Performing Assets – Provisioning and write-offs." The Reserve Bank of India guidelines on provisioning and write-offs are as described below.

Standard assets:	As per the Reserve Bank of India guidelines issued in September 2005, banks were required to make general provision at 0.40% on standard loans (excluding loans to the agriculture sector and to small and medium enterprises). As per the Reserve Bank of India guidelines issued in May 2006, the general provisions for personal loans, loans and advances qualifying as capital market exposure, residential housing loans beyond Rs. 2.0 million and commercial real estate loans was increased to 1.00% from 0.40%. In January 2007, the Reserve Bank of India increased the provisioning requirement in respect of the loans to the real estate sector (excluding residential housing loans), outstanding credit card receivables, loans and advances qualifying as capital market exposure, personal loans and exposures to systemically important non-deposit taking non-banking finance companies to 2.00%.
Sub-standard assets:	A provision of 10% is required for all sub-standard assets. An additional provision of 10% is required for accounts that are *ab initio* unsecured.
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 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, ICICI Bank made provisions aggregating 50% of the secured portion of corporate non-performing assets over a three-year period instead of the five-and-a-half year period prescribed by the Reserve Bank of India. Effective fiscal 2005, ICICI Bank provides for corporate non-performing assets in line with the 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 the management. For retail assets, subject to the minimum provisioning levels prescribed by the Reserve Bank of India, we make provisions on such homogenous loans at a portfolio level, based on 'days past due', less floating provisions held. Non-performing assets acquired from ICICI in the amalgamation were fair valued and additional provisions were recorded to reflect the fair valuation. We do not distinguish between provisions and write-offs while assessing the adequacy of our loan loss coverage, as both provisions and write-offs represent a reduction of the principal amount of a non-performing asset. In compliance with regulations governing the presentation of financial information by banks, we report non-performing assets net of cumulative write-offs in our financial statements.

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

The following table sets forth, at the dates indicated, our gross restructured rupee and foreign currency loan portfolio by business category.

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	At March 31,					
	2003	2004	2005	2006	2007	
	(in millions, except percentages)					
Commercial, financial, agricultural and others [1]	**Rs. 92,875**	**Rs. 75,454**	**Rs. 65,623**	**Rs. 55,463**	**Rs. 50,407**	**US$ 1,170**
Rupee	51,439	60,796	52,245	49,582	45,965	1,067
Foreign currency	41,436	14,658	13,378	5,881	4,442	103
Total restructured loans	**92,875**	**75,454**	**65,623**	**55,463**	**50,407**	**1,170**
Rupee	51,439	60,796	52,245	49,582	45,965	1,067
Foreign currency	41,436	14,658	13,378	5,881	4,442	103
Gross restructured loans[3]	**92,875**	**75,454**	**65,623**	**55,463**	**50,407**	**1,170**
Provision for loan losses	(3,443)	(9,169)	(2,991)	(2,305)	(1,581)	(37)
Net restructured loans	Rs. 89,432	Rs. 66,285	Rs. 62,632	Rs. 53,158	Rs. 48,826	US$ 1,133
Gross customer assets [2]	Rs. 702,331	Rs. 772,986	Rs. 1,049,164	Rs. 1,638,525	Rs. 2,234,339	US$ 51,841
Net customer assets	651,885	736,297	1,029,299	1,622,675	2,209,078	51,255
Gross restructured loans as a percentage of gross customer assets	13.2%	9.8%	6.3%	3.4%	2.3%	
Net restructured loans as a percentage of net customer assets	13.7%	9.0%	6.1%	3.3%	2.2%	

(1) Includes working capital finance.
(2) Customer assets include loans and credit substitutes.
(3) Includes debentures.

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

Certain Indian corporations have come to terms with this new competitive reality through a process of restructuring and repositioning, including rationalization of capital structures and production capacities. The increase in commodity prices since fiscal 2003 has had a favorable impact on the operations of corporations in several sectors. To create an institutional mechanism for the restructuring of corporate debt, the Reserve Bank of India has devised a corporate debt restructuring system. The objective of this framework is to ensure a timely and transparent mechanism for the restructuring of corporate debts of viable entities facing problems. The operation of this system led to the approval of restructuring programs for a large number of companies, which led to an increase in the level of restructured loans in the Indian financial system, including us. The restructured loans continue to be classified as such until they complete one year of payment in accordance with the restructured terms. Our net restructured standard loans were Rs. 48.8 billion (US$ 1.1 billion) at year-end fiscal 2007 compared to Rs. 53.2 billion (US$ 1.2 billion) at year-end fiscal 2006.

The following table sets forth, at the dates indicated, gross restructured loans by borrowers' industry or economic activity and as a percentage of total gross restructured loans.

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	At March 31,										
	2003		2004		2005		2006		2007		
	(in millions, except percentages)										
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	US$	%
Crude petroleum/ refining and petrochemicals	2,972	3.2	19,642	26.0	17,661	26.9	19,169	34.6	21,004	487	41.7
Road, port, telecom, urban development and other infrastructure	2,314	2.5	10,276	13.6	15,255	23.2	18,733	33.8	17,790	413	35.3
Iron & steel and products	42,914	46.2	8,160	10.8	10,501	16.0	4,834	8.7	4,922	114	9.8
Metal & products (excluding iron and steel)	988	1.1	2,858	3.8	3,142	4.8	3,528	6.4	3,296	77	6.5
Cement	5,398	5.8	5,697	7.6	2,064	3.1	1,406	2.5	1,065	25	2.0
Chemicals & fertilizers	5,053	5.4	8,047	10.7	6,552	10.0	2,345	4.2	985	23	2.0
Shipping	541	0.6	-	-	497	0.8	798	1.4	839	19	1.7
Manufacturing products (excluding metals)	4,499	4.8	1,494	2.0	1,405	2.1	1,393	2.5	235	5	0.5
Automobile (including trucks)	6,631	7.1	6,606	8.8	2,429	3.7	391	0.7	151	4	0.3
Textiles	6,930	7.5	3,151	4.2	772	1.2	344	0.6	86	2	0.1
Food and beverages(1)	3,342	3.6	2,418	3.2	684	1.0	220	0.4	-	-	-
Electronics & engineering	6,364	6.9	4,407	5.8	1,234	1.9	565	1.0	-	-	-
Power	1,031	1.1	1,071	1.4	2,694	4.1	1,703	3.1	-	-	-
Others(2)	3,898	4.2	1,627	2.1	733	1.2	34	0.1	34	1	0.1
Gross restructured loans	92,875	100.0	75,454	100.0	65,623	100.0	55,463	100.0	50,407	1,170	100.0
Aggregate provision for loan losses	(3,443)		(9,169)		(2,991)		(2,305)		(1,581)	(37)	
Net restructured loans	89,432		66,285		62,632		53,158		48,826	1,133	

(1) Includes sugar and tea.

(2) Others primarily include construction, drugs and pharmaceuticals, gems and jewelery, fast moving consumer goods and mining.

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

	At March 31, 2003	2004	2005	2006	2007	
	(in millions, except percentages)					
Consumer loans & credit card receivables(1)	**Rs. 1,121**	**Rs. 3,025**	**Rs. 8,063**	**Rs. 13,836**	**Rs. 30,000**	**US$ 696**
Rupee	1,121	3,025	8,061	13,828	29,991	696
Foreign currency	-	-	2	8	9	-
Commercial, financial, agricultural and others (2)	**57,483**	**37,677**	**26,826**	**9,187**	**12,200**	**283**
Rupee	42,548	30,692	23,271	7,178	11,074	257
Foreign currency	14,935	6,985	3,555	2,009	1,126	26
Leasing and related activities	**459**	**119**	**84**	**63**	**357**	**8**
Rupee	459	119	84	63	357	8
Foreign currency	-	-	-	-	-	-
Total non-performing assets	**59,063**	**40,821**	**34,973**	**23,086**	**42,557**	**987**
Rupee	44,128	33,836	31,416	21,069	41,422	961
Foreign currency	14,935	6,985	3,557	2,017	1,135	26
Gross non-performing assets	**59,063**	**40,821**	**34,973**	**23,086**	**42,557**	**987**
Provision for loan losses	(26,922)	(19,829)	(14,606)	(12,009)	(21,745)	(504)
Interest suspended & ECGC claims(3)…...	(490)	(502)	(284)	(271)	(504)	(12)
Net non-performing assets	**Rs. 31,651**	**Rs. 20,490**	**Rs. 20,083**	**Rs. 10,806**	**Rs. 20,308**	**US$ 471**
Gross customer assets	Rs. 702,331	Rs. 772,986	Rs. 1,049,164	Rs. 1,638,525	Rs. 2,234,339	US$ 51,841
Net customer assets .	Rs. 651,885	Rs. 736,297	Rs. 1,029,299	Rs. 1,622,675	Rs. 2,209,078	US$ 51,255
Gross non-performing assets as a percentage of gross customer assets	8.4%	5.3%	3.3%	1.4%	1.9%	
Net non-performing assets as a percentage of net customer assets	4.9%	2.8%	2.0%	0.7%	0.9%	

(1) Includes home loans, automobile loans, commercial business loans, two wheeler loans, personal loans, credit card receivables and farm equipment loans.

(2) Includes working capital finance.

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

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The ratio of net non-performing assets to net customer assets was 0.9% at year-end fiscal 2007 as compared to 0.7% at year-end fiscal 2006. At year-end fiscal 2007, the gross non-performing assets (net of write-offs) were Rs. 42.6 billion (US$ 987 million) compared to Rs. 23.1 billion (US$ 536 million) at year-end fiscal 2006. Gross of technical write-offs, the gross non-performing assets at year-end fiscal 2007 were Rs. 48.9 billon (US$ 1.1 billion) compared to Rs. 29.8 billion (US$ 691 million) 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 58.4% compared to 63.7% at year-end fiscal 2006.

The following table sets forth, at the dates indicated, gross non-performing assets by borrowers' industry or economic activity and as a percentage of total non-performing assets.

	At March 31,										
	2003		2004		2005		2006		2007		
	(in millions, except percentages)										
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	US$	%
Chemicals and fertilizers	9,582	16.3	4,930	12.1	2,956	8.4	1,654	7.2	1,642	38	3.9
Food and beverages[(1)]	3,159	5.3	1,981	4.8	947	2.7	670	2.9	1,247	29	2.9
Textiles	15,085	25.5	8,051	19.7	4,185	12.0	1,675	7.3	834	19	2.0
Iron & steel and products	7,672	13.0	1,362	3.3	745	2.1	210	0.9	772	18	1.8
Services – Non finance	1,182	2.0	1,351	3.3	934	2.7	976	4.2	632	15	1.5
Electronics & engineering	5,150	8.7	3,452	8.5	2,816	8.1	550	2.4	626	14	1.5
Services-finance	2,161	3.7	1,090	2.7	936	2.7	126	0.5	195	5	0.5
Paper and paper products	1,734	2.9	507	1.2	289	0.8	74	0.3	66	2	0.2
Automobiles (including trucks)	748	1.3	675	1.6	681	1.9	32	0.1	61	1	0.1
Metal & products (excluding iron & steel)	3,213	5.4	1,934	4.7	174	0.5	11	0.1	11	-	0.1
Road, port, telecom, urban development & other infrastructure	180	0.3	73	0.2	2,141	6.1	-	-	-	-	-
Power	623	1.1	6,200	15.2	7,373	21.1	-	-	-	-	-
Cement	1,623	2.7	1,545	3.8	180	0.5	-	-	-	-	-
Retail finance[(2)]	1,134	1.9	3,580	8.8	8,452	24.2	14,423	62.5	31,316	727	73.6
Others[(3)]	5,817	9.9	4,090	10.1	2,164	6.2	2,685	11.6	5,155	119	11.9
Gross non-performing	59,063	100.0	40,821	100.0	34,973	100.0	23,086	100.0	42,557	987	100.0

assets						
Aggregate provision for loan losses	(26,922)	(19,829)	(14,606)	(12,009)	(21,745)	(504)
Interest suspended & ECGC claims(4)	(490)	(502)	(284)	(271)	(504)	(12)
Net non-performing assets	31,651	20,490	20,083	10,806	20,308	471

(1) Includes sugar and tea.