ICICI BANK LTD
Form 20-F
September 28, 2006

As filed with the Securities and Exchange Commission on September 28, 2006

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

FORM 20-F

(Mark One)

[_] 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, 2006

OR

[_] 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

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(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, 2006 was 892,399,231.

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 [_]

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 [X] No [_]

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 [_]

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 [_] Non-accelerated filer [_]

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

Item 17 [_] 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 [_] No [X]

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CROSS REFERENCE SHEET

Form 20-F	Item Number and Caption	Location
Part - I		
1	Identity of Directors, Senior Management and Advisers	Not applicable
2	Offer Statistics and Expected Timetable	Not applicable
3	Key Information	Selected Consolidated Financial and Operating Dat Exchange Rates.................................... Risk Factors......................................
4	Information on the Company	Business.. Operating and Financial Review and Prospects--Capital Expenditure................... Operating and Financial Review and Prospects--Eff of Other Acquisitions........................... Operating and Financial Review and Prospects--Segment Revenues and Assets........... Overview of the Indian Financial Sector.......... Supervision and Regulation.......................
5	Operating and Financial Review and Prospects	Operating and Financial Review and Prospects..... Business--Risk Management........................ Business--Funding................................

6	Directors, Senior Management and Employees	Management....................................... Business--Employees..............................
7	Major Shareholders and Related Party Transactions	Business--Shareholding Structure and Relationship with the Government of India................... Operating and Financial Review and Prospects--Related Party Transactions........... Management--Compensation and Benefits to Director and Officers--Interest of Management in Certain Transactions.................................. Management--Compensation and Benefits to Director and Officers--Loans............................ Market Price Information......................... Note B.2 in Notes to Consolidated Financial Statements......................................

8	Financial Information	Report of Independent Registered Public Accountin Firm... Consolidated Financial Statements and the notes thereto.. Operating and Financial Review and Prospects-- Ma Events Affecting Results and Financial Condition. Business--Legal and Regulatory Proceedings....... Dividends..
9	The Offer and Listing	Market Price Information......................... Restriction on Foreign Ownership of Indian Securities..
10	Additional Information	Additional Information........................... Exchange Controls................................ Taxation... Restriction on Foreign Ownership of Indian Securities.. Dividends.. Subsidiaries and Joint Ventures..................
11	Quantitative and Qualitative Disclosures About Market Risk	Business--Risk Management--Quantitative and Qualitative Disclosures About Market Risk........
12	Description of Securities Other than Equity Securities	Not applicable
Part II- 13	Defaults, Dividend Arrearages and Delinquencies	Not applicable
14	Material Modifications to the Rights of Security Holders and Use of Proceeds	Not applicable
15	Controls and Procedures	Business--Risk Management--Controls and

		Procedures....................................
16	[Reserved]	Not applicable
16A	Audit Committee Financial Expert	Management--Corporate Governance--Audit Committee
16B	Code of Ethics	Management--Corporate Governance--Code of Ethics.
16C	Principal Accountant Fees and Services	Management--Corporate Governance--Principal Accountant Fees and Services....................
16D	Exemptions from the Listing Standards for Audit Committees	Not applicable
16E	Purchases of Equity Securities by the Issuer and Affiliated Purchasers	Business--Shareholding Structure and Relationship with the Government of India....................

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Part III-		
17	Financial Statements	See Item 18
18	Financial Statements	Report of Independent Registered Public Accountin Firm.. Consolidated Financial Statements and the notes thereto..
19	Exhibits	Exhibit index and attached exhibits............

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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 subsequently amended

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 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.

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", "estimate", "estimating", "intend", "plan", "contemplate", "seek to", "seeking to", "trying to", "target", "propose to", "future", "objective", "goal", "project", "should", "can", "could", "may", "will pursue", "our judgment" and similar expressions or variations of such expressions, that are "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.

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 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 2003 and fiscal 2004, however, the rupee appreciated against the US dollar, from Rs. 49.06 per US$ 1.00 at May 31, 2002 to Rs. 43.40 per US$ 1.00 at March 31, 2004. The rupee depreciated against the dollar by 0.5% during fiscal 2005 and by 2.0% during fiscal 2006. During fiscal 2007 (through September 22, 2006) the rupee depreciated against the dollar by 2.9%, moving from Rs. 44.48 per US$ 1.00 at March 31, 2006 to Rs. 45.77 per US$ 1.00 at September 22, 2006. 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)
2002	48.83	47.81
2003	47.53	48.36
2004	43.40	45.78
2005	43.62	44.87
2006	44.48	44.20
2007 (through September 22, 2006)	45.77	45.95

Month	High	Low
March 2006	44.58	44.09
April 2006	45.09	44.39
May 2006	46.22	44.69
June 2006	46.25	45.50
July 2006	46.83	45.84
August 2006	46.61	46.32
September 2006 (through September 22, 2006)	46.38	45.74

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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 dollars for convenience, this does not mean that the rupee amounts referred to could have been, or could be, converted into 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 dollars are based on the noon buying rate in the City of New York for cable transfers in rupees at March 31, 2006. 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 31, 2006 was Rs. 44.48 per US$ 1.00 and at September 22, 2006 was Rs. 45.77 per US$ 1.00.

RISK FACTORS

You should carefully consider the following risk factors as well as the 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. Because of the importance of our commercial banking operations for retail customers and the increasing importance of our agricultural loan portfolio to our business, any slowdown in the growth of the housing, automobiles and agricultural sectors could adversely impact our business. Since 2004, interest rates in the Indian economy have increased significantly. Slowdown in demand for loans from corporate customers, retail customers and customers in the agricultural sector, including due to higher interest rates, could adversely impact our business, including our ability to grow our asset portfolio, 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 increase in the price of crude oil could adversely affect the Indian economy, which could adversely affect our business.

India imports approximately 70.0% of its requirements of crude oil, which were approximately 31.3% of total imports in fiscal 2006. For example, the sharp increase in global crude oil prices during fiscal 2001 adversely affected the Indian economy in terms of volatile interest and exchange rates. This adversely affected the overall state of liquidity in the banking system leading to intervention by the Reserve Bank of India. Since 2004, there has been a sharp increase in global crude oil prices which was 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 yet been passed through to Indian consumers and has been substantially absorbed by the government and government-owned oil marketing companies. 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.

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 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 our ADSs could be adversely affected.

Natural calamities could adversely affect the Indian economy, 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 7.0%. Also, the erratic progress of the monsoon in fiscal 2005 adversely affected sowing operations for certain crops and resulted in a decline in the growth rate of the agricultural sector from 10.0% in fiscal 2004 to 0.7% in fiscal 2005. The agricultural sector grew by 3.9% in fiscal 2006. Further prolonged spells of below or above normal rainfall or other natural calamities could adversely affect the Indian economy and our business, especially in view of our strategy of increasing our exposure to rural India.

Financial difficulty and other problems in certain financial institutions in India could adversely affect our business and the price of our 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 could 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 business is particularly vulnerable to interest rate risk and volatility in interest rates could adversely affect our net interest margin, the value of our fixed income portfolio, our income from treasury operations, 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 would be adversely impacted. We are also exposed to interest rate risk through our treasury operations and our subsidiary, ICICI Securities 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.

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

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

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

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

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

We have experienced rapid growth in our retail loan portfolio. See "Business -- Loan Portfolio -- Loan Concentration". Various factors, including a rise in unemployment, prolonged recessionary conditions, a sharp and sustained rise in interest rates, developments in the Indian economy, movements in global

commodity markets and exchange rates and global competition could cause an increase in the level of non-performing assets 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 domestic net bank credit (excluding the advances of ICICI) to certain eligible sectors, which are categorized as "priority sectors". See "Business -- Loan Portfolio -- Loan Concentration -- Directed Lending". We may experience a significant increase in non-performing assets in our directed lending portfolio, particularly loans to the agricultural sector and small-scale industries, where we are less able to control the portfolio quality and where economic difficulties are likely to affect our borrowers more severely. Any change by the Reserve Bank of India in the directed lending norms may result in our inability to meet the priority sector lending requirements as well as

require us to increase our lending to relatively riskier segments and may result in an increase in non-performing assets in the directed lending portfolio. We may not be able to control or reduce the level of non-performing assets in our project and corporate finance portfolio. We may not be successful in our efforts to improve collections and foreclose on non-performing assets. We also have investments in security receipts arising out of the sale of non-performing assets by us to Asset Reconstruction Company (India) Limited, a reconstruction company registered with the Reserve Bank of India. See "Business -- 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 in the perfection of collateral, fraudulent transfers by borrowers and other factors, including legislative changes and judicial pronouncements. Failure to recover the expected value of collateral could expose us to potential losses, which could adversely affect our business, our future financial performance, our stockholders' equity and the price of our equity shares and ADSs.

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 can be attributed to several factors, including increased competition arising from economic liberalization in India, variable industrial growth, a sharp decline in commodity prices, the high level of debt in the financing of projects and capital structures of companies in India and the high interest rates in the Indian economy during the period in which a large number of projects contracted their borrowings. These factors reduced profitability for certain of our borrowers and also resulted in the restructuring of certain Indian companies in sectors including iron and steel,

textiles and cement. The failure of these borrowers to perform as expected or a significant increase in the level of restructured loans in our portfolio could adversely affect

our business, our future 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 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. The above factors may lead to an increase in the level of our non-performing and restructured 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.

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

Most of our incremental funding requirements, including replacement of maturing liabilities of ICICI (which generally had longer maturities), are met through short-term funding sources, primarily in the form of deposits including inter-bank deposits. Our customer deposits generally have a maturity of less than one year. However, a large portion of our assets, primarily the assets of ICICI and our home loan portfolio, have medium or long-term maturities, creating the potential for funding mismatches. Our ability to raise fresh deposits and grow our deposit base depends in part on our ability to expand our network of branches, which requires the approval of the Reserve Bank of India. In September 2005, the Reserve Bank of India replaced the existing system of granting 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. The Reserve Bank of India has thus far not granted us authorizations pursuant to this new system. 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".

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 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, outsourcing and marketing and selling practices, with sometimes overlapping jurisdictional or enforcement authorities.

Failure to comply with applicable regulations in various jurisdictions, including unauthorized actions by employees, representatives, agents and third parties, suspected or perceived failures and media reports, and ensuing inquiries or investigations by regulatory and enforcement authorities, has resulted, and may result in regulatory action including financial penalties and restrictions on or suspension of the related business operations. For example, in fiscal 2006, the Reserve Bank of India imposed a penalty of Rs. 0.5 million (US$ 10,900) on us in connection with our role as collecting bankers in certain public offerings of equity by companies in India.

In addition, a failure to comply with the applicable regulations in various jurisdictions by our employees, representatives, agents and third party service providers, either in or outside the course of their services, or suspected or perceived failures by them, may result in inquiries or investigations by regulatory and enforcement authorities, in

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

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

Despite our best efforts to comply with all applicable regulations, there are a number of risks that cannot be completely controlled. Our rapid international expansion has led to increased risk in this respect. Regulators in every jurisdiction in which we operate or have listed our 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, but we would expect to cooperate with any such regulatory investigation or proceeding.

Regulatory changes or enforcement initiatives in India or other jurisdictions in which we operate could adversely affect our business and the price of our equity shares and ADSs.

The laws and regulations or the regulatory or enforcement environment in any of those jurisdictions in which we operate may change at any time and may have an adverse effect on the products or services we offer, the value of our assets or our business in general. In its mid-term review of the annual policy statement for fiscal 2005, the Reserve Bank of India increased the risk weight for the computation of capital adequacy from 50% to 75% in the case of housing loans and from 100% to 125% in the case of consumer credit (including personal loans and credit cards) as a temporary counter-cyclical measure. In July 2005, the Reserve Bank of India increased the risk weight for capital market exposure and exposure to commercial real estate from 100% to 125%. In October 2005, in its mid-term review of the annual policy statement for fiscal 2005, the Reserve Bank of India increased the requirement of general provisioning for standard advances from 0.25% to 0.40% except direct advances to agriculture and small and medium enterprise sectors. In February 2006, the Reserve Bank of India issued its final guidelines on securitization of standard assets under which we are, in respect of transactions after February 1, 2006, required to maintain higher capital for credit enhancements and also amortize the gains on sale of loans through securitizations over the life of the securities issued. Effective April 1, 2006, the Reserve Bank of India increased the requirement of general provisioning for certain categories of advances from 0.40% to 1.00% and also increased the risk weight on exposures to commercial real estate from 125.0% to 150.0%. Pursuant to the recent amendment to the Reserve Bank of India Act, no interest is payable on cash reserve ratio balances, on which interest was hitherto paid by the Reserve Bank of India. In August 2006, the Reserve Bank of India revised its guidelines on investments by banks in other financial services entities and venture capital funds, which may restrict our ability to make further investments in our insurance and international subsidiaries. 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.

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

Until very recently, we operated only in India. Beginning in fiscal 2004, we began a rapid international expansion opening banking subsidiaries in the United Kingdom, Canada and Russia, branches in Hong Kong, Bahrain, Singapore, Sri Lanka and Dubai International Finance Centre and representative offices in the United States, United Arab Emirates, China, South Africa and Bangladesh. As of the year ended March 31, 2006, the assets of these banking subsidiaries and branches were about 14% of the consolidated assets of ICICI Bank and its banking subsidiaries. In addition, we have substantially expanded, in a number

of jurisdictions, our services to non-resident Indians for the remittance of funds to India.

This rapid international expansion into banking in multiple jurisdictions exposes us to a new variety of regulatory and business challenges and risks, including cross-cultural risk and has increased the complexity of our risks in a number of areas including currency risks, interest rate risks, compliance risk, regulatory and reputational risk and operational risk. See also "We are subject to legal and regulatory risk which may adversely affect our business 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 and the price of our equity shares and ADSs could be adversely affected.

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

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

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

We are often involved in litigations for a variety of reasons, which generally arise because we seek to recover our dues from borrowers or because customers seek claims against us. The majority of these cases arise in the normal course and we believe, based on the facts of the cases and consultation with counsel, that these cases generally do not involve the risk of a material adverse impact on our financial performance or 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 litigations in which we are involved would be favorable to us. If our assessment of the risk changes, our view on provisions will also change.

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

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

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

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

We may seek opportunities for growth through acquisitions and mergers or may be required to undertake mergers mandated by the Reserve Bank of India. Any future acquisitions or mergers may involve a number of risks, including deterioration of asset quality, diversion of our management's attention required to integrate the acquired business and the failure to retain key acquired personnel and clients, leverage synergies or rationalise operations, or develop the skills required for new businesses and markets, or unknown and known liabilities, some or all of which could have an adverse effect on our business.

We are exposed to fluctuations in foreign exchange rates.

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

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

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

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

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

Our business operations are based on a high volume of transactions. Although we take adequate measures to safeguard against system-related and other fraud, there can be no assurance that we would be able to prevent fraud. Our reputation could be adversely affected by fraud committed by employees,

customers or outsiders. Physical or electronic break-ins, security breaches, other disruptive problems caused by our increased use of the Internet or power disruptions could also affect the security of information stored in and transmitted through our computer systems and network infrastructure. Although we have implemented security technology and operational procedures to prevent such occurrences, there can be no assurance that these security measures will be successful. A significant failure in security measures could have a material adverse effect on our business, our future financial performance and the price of our equity shares and ADSs.

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), or operational errors, including clerical or recordkeeping errors or errors resulting from faulty computer or telecommunications systems. We use direct marketing associates for marketing our retail credit products. We also outsource some functions to other agencies. Given our high volume of transactions, certain errors may be repeated or compounded before they are discovered and successfully rectified. In addition, our dependence upon automated systems to record and process transactions may further increase the risk that technical system flaws or employee tampering or manipulation of those systems will result in losses that are difficult to detect. We may also be subject to disruptions of our operating systems, arising from events that are wholly or partially beyond our control (including, for example, computer viruses or electrical or telecommunication outages), which may give rise to a deterioration in customer service and to loss or liability to us. We are further exposed to the risk that external vendors may be unable to fulfill their contractual obligations to us (or will be subject to the same risk of fraud or operational errors by their respective employees as are we), and to the risk that our (or our vendors') business continuity and data security systems prove not to be sufficiently adequate. We also face the risk that the design of our controls and procedures prove inadequate, or are circumvented, thereby causing delays in detection or errors in information. Although we maintain a system of controls designed to keep operational risk at appropriate levels, like all banks 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. 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 -- Quantitative and Qualitative Disclosures About Market Risk -- Liquidity Risk".

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

In deciding whether to extend credit or enter into other transactions with customers and counterparties, we may rely on information furnished to us by or on behalf of customers and counterparties, including financial statements and other financial information. We may also rely on certain representations as to the accuracy and completeness of

that information and, with respect to financial statements, on reports of independent auditors. For example, in deciding whether to extend credit, we may assume that a customer's audited financial statements conform with generally accepted accounting principles and present fairly, in all material respects, the financial condition, results of operations and cash flows of the customer. Our financial condition and results of operations could be negatively affected by relying on financial statements that do not comply with generally accepted accounting principles or other information that is materially misleading.

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

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

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

We currently deduct the expense of employee stock option grants from our income based on the intrinsic value method and not on the fair value method. Had compensation costs for our employee stock options been determined in a manner consistent with the fair value approach, our profit after tax for fiscal 2006 would have been reduced to the pro forma amount of Rs. 23.7 billion (US$ 532 million) from Rs. 24.2 billion (US$ 544 million).

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 vote 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".

US investors will be subject to special tax rules, including the possible imposition of interest charges, if we are considered to be a passive foreign investment company.

Based upon certain proposed US Treasury regulations which are to be effective for taxable years beginning after December 31, 1994 and upon certain management estimates, we do not expect to be a Passive Foreign Investment Company (a "PFIC"). However, since there can be no assurance that such proposed Treasury regulations will be finalized in their current form, and since the composition of our income and assets will vary over time, there can be no assurance that we will not be considered a PFIC for any taxable year. If we are a PFIC for any taxable year during which a US investor holds any of our equity shares or ADSs, the US investor would be subject to special adverse tax rules, including the possible imposition of interest charges (see "Taxation - United States Tax - Passive Foreign Investment Company Rules").

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, and other government-owned general insurance companies are among our principal shareholders. Our other large shareholders include Allamanda Investments Pte. Limited, a subsidiary of Temasek Holdings Pte. Limited, Crown Capital 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.

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 securities markets have recovered partially since then but have exhibited relatively higher 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 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 and other restrictions may also be relaxed in the future though the timing is uncertain. 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 may conduct additional equity offerings to fund the growth of our business, including our international operations, our insurance business or our other subsidiaries. Any future issuance of equity shares 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 the 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.

BUSINESS

Overview

We offer a wide range of banking products and services to corporate and retail customers through a variety of delivery channels. In fiscal 2006, we made a net profit of Rs. 24.20 billion (US$ 544 million) compared to a net profit of Rs. 18.52 billion (US$ 416 million) in fiscal 2005. At year-end fiscal 2006, we had assets of Rs. 2,772.30 billion (US$ 62.33 billion) and a net worth of Rs. 219.98 billion (US$ 4.9 billion). At year-end fiscal 2006, ICICI Bank was the second-largest bank in India and the largest bank in the private sector in terms of total assets and net profit.

Our commercial banking operations for retail customers consist of retail lending and deposits, private banking, distribution of third party investment products and other fee-based products and services, as well as issuance of unsecured redeemable bonds. We provide a range of commercial banking and project finance products and services to India's leading corporations, growth-oriented middle market companies and small and medium enterprises, including loan products, fee and commission-based products and services, deposits and foreign exchange and derivatives products. We also offer agricultural and rural banking products. We offer investment banking services through our subsidiary, ICICI Securities Limited, including corporate advisory services, primary dealership in government securities and equity underwriting and brokerage. In addition, we provide venture capital funding to start-up companies and private equity to a range of companies through our venture capital and private equity fund management subsidiary ICICI Venture Funds Management Company. We provide a wide range of life and general insurance and asset management products and services, respectively, through our subsidiaries ICICI Prudential Life Insurance Company Limited, ICICI Lombard General Insurance Company Limited and Prudential ICICI Asset Management Company Limited. ICICI Prudential Life Insurance Company Limited had a retail market share of about 32% in new business written (on weighted received premium basis) by private sector life insurance companies and about 12% in new business written (on weighted received premium basis) by all life insurance companies in India, during April-June 2006. ICICI Lombard General Insurance Company Limited had a market share of about 35% among the private sector general insurance companies and about 12% among all general insurance companies in India, during April-June 2006. Prudential ICICI Asset Management Company Limited was the largest player in the Indian mutual fund industry at June 30, 2006 with a market share of about 11% in terms of funds under management. We cross-sell the products of our insurance and asset management subsidiaries to our corporate and retail customers.

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

We deliver our products and services through a variety of channels, ranging from bank branches and ATMs to call centers and the Internet. At March 31, 2006, we had a network of 563 branches, 51 extension counters and 2,200

ATMs in 352 locations across several Indian states.

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

History

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

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

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

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

Judicature at Bombay on April 11, 2002. The amalgamation was approved by the Reserve Bank of India on April 26, 2002. The 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 September 23, 2006, certain information regarding the ownership of our equity shares.

	Percentage of total equity shares outstanding
Government-controlled shareholders:	
Life Insurance Corporation of India	7.99
General Insurance Corporation of India and government-owned general insurance companies	4.19
Other government-controlled institutions, corporations and banks	0.57
Total government-controlled shareholders	12.76
Other Indian investors:	
Individual domestic investors (1) (2)	6.10
Bajaj Auto Limited	4.33

	Percentage of total equity shares outstanding
Indian corporates and others (excluding Bajaj Auto Limited)	1.14
Mutual funds and banks (other than government-controlled banks)	2.56
Total other Indian investors	14.12
Total Indian investors	26.88
Foreign investors:	
Deutsche Bank Trust Company Americas, as depositary	26.73
Allamanda Investments Pte Limited	7.42
Crown Capital Limited	4.95
Government of Singapore	2.30
Foreign institutional investors, foreign banks, overseas corporate bodies and non-resident Indians (excluding Allamanda Investments Pte Limited, Crown Capital Limited and Government of Singapore)(1)(2)	31.73
Total foreign investors	73.12
Total	100.00

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

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

In April 2004, we issued 115,920,758 equity shares to foreign and domestic institutional investors and domestic retail investors at a price of Rs. 280 (US$ 6.29) per share, totaling Rs. 32.46 billion (US$ 730 million). In March 2005, we sponsored an offering of ADSs by our shareholders, resulting in the issuance of 20,685,750 ADSs representing 41,371,500 equity shares sold by our equity shareholders, at a price of US$ 21.11 per ADS, aggregating approximately US$ 437 million. The proceeds of the offering, net of expenses, were distributed to the selling shareholders. In fiscal 2006, we concluded a capital raising exercise issuing 148,204,556 equity shares, raising a total of Rs. 80.01 billion (US$ 1.8 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$ 11.21) per share for retail investors in India, Rs. 525 (US$ 11.80) per share for other investors in the Indian offering and US$ 26.75 per ADS.

The holding of government-controlled shareholders was 12.76% at September 23, 2006 against 15.63% at June 30, 2005 and 17.08% at June 30, 2004. The holding of Life Insurance Corporation of India was 7.99% at September 23, 2006 against 9.75% at June 30, 2005 and 10.09% at June 30, 2004.

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

The holding of other Indian investors was 14.12% at September 23, 2006 against 11.33% at June 30, 2005 and 13.11% at June 30, 2004. The total holding of Indian investors was 26.88% at September 23, 2006 against 26.96% at June 30, 2005 and 30.19% at June 30, 2004. The holding of foreign investors was 73.12% at September 23, 2006

against 73.04% at June 30, 2005 and 69.81% at June 30, 2004. See "Supervision

and Regulation -- Reserve Bank of India Regulations -- Ownership Restrictions".

Deutsche Bank Trust Company Americas holds the equity shares represented by 119.30 million ADSs outstanding as depositary on behalf of the holders of the ADSs. The ADSs are listed on the New York Stock Exchange. 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 26.73% of our equity shares as of September 23, 2006 against 27.25% as of June 30, 2005 and 21.79% at June 30, 2004, 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.

In fiscal 2006, neither we nor any subsidiary made any repurchases of our equity securities or ADSs, nor were any such repurchases made on our behalf or on behalf of a subsidiary.

Strategy

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

The key elements of our business strategy are to:

- focus on quality growth opportunities by:
  - maintaining and enhancing our strong retail and corporate franchise;
  - building an international presence;
  - strengthening our insurance and asset management businesses; and
  - building a rural banking franchise.
- emphasize 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

We believe that the Indian retail financial services market is likely to continue to experience sustained growth in the future. With upward migration of household income levels, affordability and availability of retail finance and the 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. We have capitalized on the growing retail opportunity in India and believe that we have emerged as a market leader in retail credit. The key dimensions of our retail strategy are

innovative products, parity pricing, customer convenience, wide distribution, strong processes, prudent risk management and customer focus. Cross-selling of the entire range of credit and investment products and banking services to our customers is a critical aspect of our retail strategy.

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

Retail Lending Activities

We offer a range of retail asset products, including home loans, automobile loans, commercial vehicle loans, two wheeler loans, personal loans, credit cards, loans against time deposits and loans against shares. We also fund dealers who sell automobiles, two wheelers, consumer durables and commercial vehicles. We have capitalized on the growing retail opportunity in India and believe that we have emerged as a market leader in retail credit, with an outstanding gross retail finance portfolio of Rs. 981.6 billion (US$ 22.1 billion) at year-end fiscal 2006. 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. In general, any increase in the rate of interest payable on floating rate home loans is effected by an elongation of the repayment schedule and/or by changing the monthly installment amount. We have recently, based on the age of the borrower and the extended tenure of the loan, effected a part of the increase by an increase in the monthly installment amount. See also "Risk Factors -- Risks Relating to Our Business -- Our business is particularly vulnerable to interest rate risk and volatility in interest rates could adversely affect our net interest margin, the value of our fixed income portfolio, our income from treasury operations, the quality of our loan portfolio and our financial performance".

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

	At year-end fiscal 2006	
	Rs. (in billions)	US$ (in millions)
Home loans(1)	505.1	11,356
Automobile loans	188.7	4,243
Commercial vehicle and related loans	120.5	2,709
Personal loans	61.1	1,374
Credit card receivables	35.4	797
Two wheeler loans	21.0	472
Others(2)	49.7	1,116
Total	981.6	22,067

(1) Includes developer financing

(2) Includes dealer funding

Lending to small and medium enterprises

We are seeking to extend our reach to the small and medium enterprises sector. We provide supply chain financing, including the financing of selected customers of our corporate clients. We also provide financing on a cluster-based approach, that is financing of small enterprises that have a homogeneous profile such as apparel manufacturers and manufacturers of pharmaceuticals. We recently launched small business loans to meet the emerging opportunity of providing unsecured credit facilities to small businesses to meet their working capital needs. Funding under this facility is restricted to a maximum of Rs. 2.5 mn (US$ 56,205) per customer.

Retail Deposits

Our retail deposit products include time deposits and savings accounts. We also offer targeted products to specific customer segments such as high net worth individuals, defense personnel, trusts and businessmen, and have corporate salary account products. Further, we offer an international debit card in association with VISA International. At year-end fiscal 2006, we had a debit card base of about 8.1 million cards. We offer current account products to our small and medium enterprise customers.

For a description of the Reserve Bank of India's regulations applicable to deposits in India and required deposit insurance, see "Supervision and Regulation -- Reserve Bank of Indian Regulations -- Regulations Relating to

Deposits" and "Supervision and Regulation -- Deposit Insurance". For more information on the type, cost and maturity profile of our deposits, see "-- Funding".

Bond Issues

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

Other Fee-Based Products and Services

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

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

ICICI Web Trade Limited, a company owned by a private equity fund managed

by ICICI Venture Funds Management Company Limited, provides web and telephone-based brokering services. The amalgamation of ICICI Web Trade Limited with ICICI Brokerage Services Limited, a subsidiary of ICICI Securities Limited providing brokerage services to institutional clients has been approved by the Bombay High Court on August 25, 2006.

Commercial Banking for Corporate Customers

We provide a range of commercial banking products and services to India's leading corporations and growth-oriented middle market companies, including loan products, fee and commission-based products and services, deposit products and foreign exchange and derivatives products.

Corporate Loan Portfolio

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

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

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

Fee and Commission-Based Activities

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

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

We also offer cash management services (such as collection, payment and remittance services), escrow, trust and retention account facilities, online payment facilities, custodial services and tax collection services on behalf of the government of India and the governments of Indian states. We also offer custodial services to clients. At year-end fiscal 2006, total assets held in custody on behalf of our clients (mainly foreign institutional investors, offshore funds, overseas corporate bodies and depositary banks for GDR investors) was approximately Rs. 1,382.6 billion (US $31.1 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 and risk hedging solutions in several currencies to meet the trade and service-related requirements of our corporate clients. The products and services offered include:

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

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

We provide forward contracts to our customers for hedging their short-term exchange rate risk on foreign currency denominated receivables and payables. We generally provide this facility for a term of up to six months and occasionally up to 12 months. We also offer interest rate and currency swaps to our customers for hedging their medium and long-term risks due to interest rate and currency exchange rate movements. We offer these swaps for a period ranging from three to 10 years. Our customers pay a commission for this product that is included in the price of the product and is dependent upon market conditions. The risk positions arising out of these products are, if not offset by other positions taken by us, covered in the inter-bank market. Our risk management products are currently limited to foreign currency forward transactions and currency and interest rate swaps for selected approved clients. We believe, however, that the demand for risk management products will grow, and we are building the capabilities to grow these products. We are focusing particularly on setting up sophisticated infrastructure and internal control procedures that are critical to these products.

Commercial Banking for Rural and Agricultural Customers

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

For details of our directed lending portfolio, see "-- Loan Portfolio -- Loan Concentration -- Directed Lending".

Commercial Banking for International Customers

We believe that the international markets present a major growth opportunity and have, therefore, expanded the range of our commercial banking products to international customers. Our strategy for growth in international markets is based on leveraging home country links, 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 that are unique to international customers are:

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

We currently have subsidiaries in the United Kingdom, Canada and Russia, branches in Singapore, Dubai International Finance Centre, Sri Lanka, Hong Kong, offshore banking units in Mumbai and Bahrain and representative offices in the United States, China, United Arab Emirates, Bangladesh and South Africa. We have received approvals to establish representative offices in Thailand, Indonesia and Kenya from the respective regulatory authorities. Our subsidiaries in the United Kingdom, Canada and Russia offer local banking products and services in those countries. Our subsidiary in United Kingdom has

also opened a branch in Antwerp, Belgium in May 2006. In Canada and the United Kingdom, we have also launched direct banking offerings using the Internet as the access channel.

We also access the international debt markets for funding the assets of our overseas branches. We issued US$ 500 million senior notes in November 2005. We also have an existing Medium Term Note Program and US$ Commercial Paper program which we use from time to time.

Delivery Channels

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

At March 31, 2006, we had a network of 563 branches and 51 extension counters in 352 centers across several Indian states. Extension counters are small offices linked to a branch and are 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 March 31, 2006.

	At March 31, 2006	
	Number of branches	% of total
Metropolitan/urban	366	65.01%
Semi-urban/rural	197	34.99%
Total	563	100.00%

At March 31, 2006, we had 2,200 ATMs, of which 698 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 March 31, 2006, our call center had 2,586 service 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 Limited, our subsidiary.

Treasury

Through our treasury operations, we seek to manage our balance sheet including the maintenance of required regulatory reserves and to optimize profits from our trading portfolio by taking advantage of market opportunities. Our trading and investments portfolio includes our regulatory portfolio, as

there is no restriction on active management of our regulatory portfolio.

Our treasury undertakes liquidity management by seeking to maintain an optimum level of liquidity and complying with the cash reserve ratio requirement. The objective is to ensure the smooth functioning of all our branches and at the same time avoid the holding of excessive cash. We maintain a balance between interest-earning liquid assets and cash to optimize earnings and undertake reserve management by maintaining statutory reserves, including the cash reserve ratio and the statutory liquidity ratio. Further, we engage in domestic and foreign exchange operations. 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 our Board of Directors.

Our investments portfolio is classified into three categories - held to maturity, available for sale and held for trading. Investments acquired with the intention to hold them up to maturity are classified as held to maturity. Investments acquired by us with the intention to trade by taking advantage of the short-term price/interest rate movements are classified as 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 further 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 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 remaining to maturity. A provision is made for other than temporary diminution on such securities. The individual scrips in the available for sale category are marked to market. Investments under this category are valued scrip-wise and depreciation/ appreciation is aggregated for each classification. Net depreciation, if any, is provided for. Net appreciation, if any, is ignored. The individual scrips in the held for trading category are marked to market as in the case of those in the available for sale category.

The following table sets forth, at the dates indicated, certain information related to our trading portfolio.

	At March 31(1),		
	2004	2005	2006
		(in millions)	
Government securities........................	Rs. 28,440	Rs.13,691	Rs. 16,806
Securities purchased under agreement to resell	34,974	24,000	40,000
Bonds and debentures.........................	8,178	5,556	18,247
Equity shares................................	1,732	4,783	6,232

	At March 31(1),		
	2004	2005	2006
	(in millions)		
Mutual funds................................	1,143	37,957	35,624
Total.......................................	Rs.74,468	Rs.85,987	Rs 116,909

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(1) Excludes assets held to cover linked liabilities of our life insurance business amounting to Rs. 70,788 million (US$ 1.6 billion) for fiscal 2006 (fiscal 2005: Rs. 26,541 million, fiscal 2004: to Rs. 6,401 million).

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 these investments and gross unrealized gain/(loss) on these securities.

	Year ended March 31,		
	2004	2005	200
	(in millions)		
Interest and dividends on trading portfolio...	Rs. 2,864	Rs. 1,904	Rs. 3,
Gain on sale of trading portfolio............	3,782	1,239	1,
Unrealized gain/(loss) on trading portfolio...	(365)	(85)	(
Total.......................................	Rs.6,281	3,058	Rs 4,

In addition to 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, 2004		
	Amortized cost	Gross unrealized gain	Gros unrealize
	(in millions)		
Corporate debt securities....................	Rs. 31,939	Rs. 1,902	Rs. (
Government securities........................	200,973	2,925	
Total debt securities........................	232,912	4,827	(
Equity shares................................	21,111	3,018	(1,
Other investments(1).........................	32,085	123	(
Total.......................................	Rs. 286,108	Rs. 7,968	Rs.(1,

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(1) Includes preference shares, mutual fund units, venture funds, security receipts and pass through certificates.

	At March 31, 2005		
	Amortized cost	Gross unrealized gain	Gross unrealize
	(in millions)		
Corporate debt securities....................	Rs. 19,203	Rs. 1,342	Rs. (
Government securities........................	34,005	-	
Other securities(1)	6,562	52	
Total debt investments.......................	59,770	1,394	(
Equity shares................................	19,802	5,619	(
Other investments(2).........................	34,766	3,109	(
Total..	Rs.114,338	Rs. 10,122	Rs. (1,

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(1) Includes credit linked notes.

(2) Includes preference shares, mutual fund units, venture funds, security receipts and pass through certificates.

	At March 31, 2006		
	Amortized cost	Gross unrealized gain	Gross unreali loss
	(in millions)		
Corporate debt securities....................	Rs. 34,424	Rs. 238	Rs. (
Government securities........................	116,024	-	
Other securities(1)..........................	12,947	22	
Total debt securities........................	163,395	260	(
Equity shares................................	23,056	7,024	(1,
Other investments(2).........................	63,460	3,833	(1,
Total..	Rs. 249,911	Rs. 11,117	Rs (2,

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(1) Includes credit linked notes.
(2) Includes preference shares, mutual fund units, venture funds, 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,		
	2004	2005	2006
	(in millions)		
Interest	Rs. 13,831	Rs. 8,901	Rs. 6,
Dividend	1,061	925	1,
Total	Rs. 14,892	Rs. 9,826	Rs. 8,
Gross realized gain	Rs. 5,313	Rs. 5,815	Rs. 9,
Gross realized loss	(3,317)	(1,838)	(1,
Total	Rs. 1,996	Rs. 3,977	Rs. 8,

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

	At March 31, 2006						
	Up to one year		One to five years		Five to 10 years		M
	Amount	Yield	Amount	Yield	Amount	Yield	
	(in millions)						
Corporate debt securities	Rs. 7,235	5.51%	Rs. 12,113	7.09%	Rs. 11,576	6.91%	R
Government of India securities	113,649	6.69	1,358	11.09	874	8.45	
Other securities	-	-	8,481	6.47	4,469	6.57	
Total interest-earning securities	Rs. 120,884	6.62	Rs. 21,952	7.10%	Rs. 16,919	6.90%	R
Total amortized cost	Rs. 120,438		Rs. 22,310		Rs. 17,128		R

The amortized cost of our held to maturity portfolio amounted to Rs. 417.5 billion (US$ 9.4 billion) as on March 31, 2006 (March 31, 2005: Rs. 335.0 billion (US$ 7.5 billion), March 31, 2004: Rs. 107.3 billion (US$ 2.4 billion)). The gross unrealized gain on this portfolio was Rs. 7.9 billion (US$ 180 million) as on March 31, 2006 (March 31, 2005: Rs. 5.9 billion (US$ 133 million), March 31, 2004: Rs. 8.1 billion (US$ 181 million)). The gross unrealized loss on this portfolio was Rs. 8.0 billion (US$ 180 million) as on March 31, 2006 (March 31, 2005: Rs. 6.9 billion (US$ 156 million), March 31, 2004: Rs. 1.8 billion (US$ 41 million)).

We have a limited equity portfolio because the Reserve Bank of India restricts investments by a bank in equity securities, convertible debentures, units of equity oriented mutual funds and loans to brokers to 5.0% of its total

outstanding domestic loan portfolio as at March 31 of the previous year. See also "Supervision and Regulation - Reserve Bank of India Regulations - Regulations relating to Investments and Capital Market Exposure Limits".

Under the Reserve Bank of India's statutory liquidity ratio requirement, we are required to maintain a minimum of 25.0% of our net demand and time liabilities by way of approved securities, such as government of India securities and state government securities. See "Supervision and Regulation -- Legal Reserve Requirements -- Statutory Liquidity Ratio." We maintain the statutory liquidity ratio through a portfolio of government of India securities that we actively manage to optimize the yield and benefit from price movements.

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, and are expanding our capabilities in this area. 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 Limited

We provide investment banking services through our subsidiary, ICICI Securities Limited, which provides investment banking services through three main business lines: corporate advisory, fixed income and equities. The clients of ICICI Securities Limited include a range of Indian and foreign corporations and institutional investors. ICICI Securities is a non-bank finance company. For a description of non-bank finance companies, see "Overview of the Indian Financial Sector - Non-Bank Finance Companies".

Corporate advisory services include business valuations, pricing and structuring of transactions, and financial and corporate restructuring for large and mid-market Indian corporate clients and private equity syndication and privatization services for public sector companies. ICICI Securities Limited is also one of the market leaders in the Indian debt market and was named the "Best Domestic Bond House" by Finance Asia and Asia Money for the second year in a row. ICICI Securities Limited is a primary dealer appointed and authorized by the Reserve Bank of India to trade in

government securities. In equities, ICICI Securities Limited offers a range of products including underwriting of equity offerings, public and private placement of corporate equity, assistance in buyback programs and equity brokering and research, primarily for institutional investor clients. ICICI Web Trade Limited, a company owned by a private equity fund managed by ICICI Venture Funds Management Company Limited, provides web and telephone-based brokering services. The amalgamation of ICICI Web Trade Limited with ICICI Brokerage Services Limited, a subsidiary of ICICI Securities Limited providing brokerage services to institutional clients was approved by the Bombay High Court on August 25, 2006.

Venture capital and private equity

We also provide venture capital funding to start-up companies and private equity to a range of companies through funds managed by our subsidiary ICICI Venture Funds Management Company Limited. At year-end fiscal 2006, ICICI Venture managed or advised funds of approximately Rs.63.90 billion (US$1.4 billion).

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 a 74.0% interest in both these entities. 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.1.88 billion (US$42 million) in fiscal 2006. As would be typical for life insurance companies in their initial years of operation, the loss was due to business set-up and customer acquisition costs as well as reserving for actuarial liability. ICICI Lombard General Insurance Company Limited made a net profit of Rs.503.1 million (US$11 million) in fiscal 2006. We expect our insurance joint ventures to experience significant growth and to require additional investments by us.

Funding

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

Our deposits were 62.2% of our total liabilities at year-end fiscal 2006 compared to 56.7% of our total liabilities at year-end fiscal 2005. Our borrowings were 16.2% of our total liabilities at year-end fiscal 2006 compared to 21.5% of our total liabilities at year-end fiscal 2005. Our deposits increased 70.6% to Rs.1,724.5 billion (US$38.8 billion) at year-end fiscal 2006 compared to Rs.1,011.1 billion (US$22.7 billion) at year-end fiscal 2005. This significant growth in deposits was achieved primarily through increased focus on retail and corporate customers by offering a wide range of products designed to meet varied individual and corporate needs and leveraging on our network of branches, extension counters and ATMs. Our borrowings increased to Rs.450.0

billion (US$10.1 billion) at year-end fiscal 2006 compared to Rs.383.7 billion (US$8.6 billion) at year-end fiscal 2005.

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)					
	2004		2005		20	
	Amount	Cost(2)	Amount	Cost(2)	Amount	
	(in millions, except percentages)					
Interest-bearing deposits:						
Savings deposits.....	Rs. 56,916	2.37%	Rs. 98,111	2.25%	Rs. 171,658	US
Time deposits........	453,364	6.36	583,332	5.21	940,272	
Non-interest-bearing deposits:						
Other demand deposits	53,932	-	87,082	-	142,849	
Total deposits...........	Rs.564,512	5.35%	Rs.768,525	4.24%	Rs.1,254,779	US

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(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 2006 were Rs.1,254.8 billion (US$28.2 billion) at an average cost of 4.8% compared to average deposits of Rs.768.5 billion (US$17.3 billion) at an average cost of 4.2% in fiscal 2005. Our average time deposits in fiscal 2006 were Rs.940.3 billion (US$21.1 billion) at an average cost of 5.9% compared to average time deposits of Rs.583.3 billion (US$13.1 billion) in fiscal 2005 at an average cost of 5.2%.

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

	At March 31, 2006		
	Up to one year	After one year and within three years	After three years
	(in millions)		
Interest-bearing deposits:			
Savings deposits........................	Rs. 242,572	Rs. -	Rs. -
Time deposits...........................	1,182,789	91,438	43,856
Non-interest-bearing deposits:			
Other demand deposits...................	163,855	-	-

Total deposits	Rs.1,589,216	Rs. 91,438	Rs. 43,856

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)				
	2004		2005		20
	Amount	% to total	Amount	% to total	Amount
	(in millions, except percentages)				
SLR bonds(2)	Rs. 14,815	4.0%	Rs. 14,815	4.3%	Rs. 14,815
Borrowings from Indian government(3)	5,735	1.5	4,689	1.4	3,581
Other borrowings(4)(5)	355,052	94.5	321,307	94.3	331,511
Total	Rs.375,602	100.0%	Rs.340,811	100.0%	Rs. 34,856

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(1) Average of quarterly balances at the end of March of the previous fiscal year and June, September, December and March of that fiscal year for each of fiscal 2004, 2005 and 2006.

(2) With an average cost of 11.43% in fiscal 2004, 11.57% in fiscal 2005 and 11.60% in fiscal 2006.

(3) With an average cost of 10.07% in fiscal 2004, 10.27% in fiscal 2005 and 10.82% in fiscal 2006.

(4) With an average cost of 10.38% in fiscal 2004, 9.09% in fiscal 2005 and 9.28% in fiscal 2006.

(5) Includes publicly and privately placed bonds, borrowings from institutions and wholesale deposits such as inter-corporate deposits, certificate of deposits and call borrowings.

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The following table sets forth, at the date indicated, the maturity profile of our rupee term deposits of Rs.10 million (US$224,820) or more.

	At March 31,		
	2006		% of total deposits
	(in millions, except percentages)		
Less than three months	Rs.352,453	US$ 7,924	20.4%
Above three months and less than six months	184,750	4,153	10.7%

Above six months and less than 12 months...	351,576	7,904	20.4%
More than 12 months.......................	69,998	1,574	4.1%
Total deposits of Rs.10 million and more...	Rs.958,777	US$ 21,555	55.6%

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)		
	2004	2005	2006
	(in millions, except percentages)		
Year-end balance........................	Rs. 45,330	Rs. 80,711	Rs. 106,542
Average balance during the year(2).......	45,368	50,150	84,910
Maximum quarter-end balance..............	60,718	80,711	106,542
Average interest rate during the year(3).	5.80%	5.76%	7.80%
Average interest rate at year-end(4).....	5.20%	5.85%	7.34%

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(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 2004, 2005 and 2006.

(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)					
	2004		2005		20	
	Amount	% to total	Amount	% to total	Amount	
	(in millions, except percentages)					
Commercial borrowings (2)	Rs. 47,417	65.4%	Rs.86,886	77.6%	Rs.166,524	U
Multilateral borrowings (3)..................	25,073	34.6	25,080	22.4	24,034	
Total...................	Rs. 72,490	100.0%	Rs.111,966	100.0%	Rs.190,558	U

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(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 2004, 2005 and 2006.

(2) With an average cost of 3.36% in fiscal 2004, 3.70% in fiscal 2005 and 4.55% in fiscal 2006.

(3) With an average cost of 3.03% in fiscal 2004, 3.22% in fiscal 2005 and 4.01% in fiscal 2006.

At year-end fiscal 2006, our outstanding subordinated debt was Rs.107.4 billion (US$2.4 billion). This debt is classified as 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 centralized Risk Management, Compliance and Audit Groups with a mandate to identify, assess and monitor all of ICICI Bank's principal risks in accordance with well-defined policies and procedures. The Risk Management Group reports to the Chief Financial Officer and Treasurer and through her to a Joint Managing Director. The Compliance and Audit Groups report directly to a Joint Managing Director and to the Managing Director and CEO in respect of internal audit of other groups that report to the Joint Managing Director. The internal audit function is also responsible to the Audit Committee of ICICI Bank's Board of Directors. All 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 ICICI Bank's exposure to these sectors as well as to large borrower accounts. The Asset Liability Management Committee is responsible for managing the balance sheet and reviewing the asset-liability position to manage our liquidity and market risk exposure. For a discussion of these and other committees, see "Management".

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

Credit Risk

ICICI Bank's credit policy is approved by our 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 due to ICICI Bank. ICICI Bank currently 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 assess a variety of risks relating to the borrower and the relevant industry. Borrower risk is evaluated by considering:

- the financial position of the borrower by analyzing the quality of its financial statements, its past financial performance, its financial flexibility in terms of ability to raise capital, and its cash flow adequacy;

- the borrower's relative market position and operating efficiency; and

- the quality of management by analyzing its track record, payment record and financial conservatism.

Industry risk is evaluated by considering:

- certain industry characteristics, such as the importance of the industry to the economy, its growth outlook, cyclicality and government policies relating to the industry;

- the competitiveness of the industry; and

- certain industry financials, including return on capital employed, operating margins and earnings stability.

After conducting an analysis of a specific borrower's risk, the Credit Risk Management Group assigns a credit rating to the borrower. 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. We determine the desired credit risk spread over its cost of funds by considering the borrower's credit rating and the default pattern corresponding to the credit rating. Every proposal for a financing facility is prepared by the relevant business unit and reviewed by the appropriate industry specialists in the Credit Risk Management Group before being submitted for approval to the appropriate approval authority. The approval process for non-fund facilities is similar to that for fund-based facilities. The credit rating for every borrower is reviewed at least annually. 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 months validity period (18 months in the case of borrowers rated AA- and above), ICICI Bank reviews the loan arrangement and the credit rating of the borrower and take a decision on continuation of the arrangement and changes in the loan covenants as may be necessary.

Project Finance Procedures

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

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

In addition to the above, in the case of structured project finance in areas such as infrastructure, oil, gas and petrochemicals, as a part of the due diligence process, 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 by borrowers 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, we have a security interest and first lien on all the fixed assets and a second lien on all the current assets of the borrower. Security interests typically include property, plant and equipment as well as other tangible assets of the borrower, both present and future. 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. ICICI Bank continues

to monitor the credit exposure until its loans are fully repaid.

Corporate Finance Procedures

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

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

Working Capital Finance Procedures

ICICI Bank carries out a detailed analysis of its borrowers' working capital requirements. Credit limits are established in accordance with the approval authorized 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 from the borrower and our loans are secured by the asset financed.

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

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 Risk Management Group. These criteria vary across product segments but typically include factors such as the borrower's income, the loan-to-value ratio, demographic parameters and certain stability factors. In the case of credit cards, in order to limit the scope of individual discretion, 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. ICICI Bank avails of 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 each credit approval team.

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 it in collection efforts, including collateral repossession in accounts that are overdue for more than 90 days. External agencies for collections are governed by standardized process guidelines.

A fraud prevention and control department has been set up to manage levels

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

Small Enterprises Loan Procedures

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

The group is also involved in financing based on a cluster-based approach, that is, financing of small enterprises that have a homogeneous profile such as apparel manufacturers and manufacturers of pharmaceuticals. The risk assessment of such cluster involves identification of appropriate credit norms for target market, use of scoring models for enterprises that satisfy these norms and applying pre-determined exposure limits to enterprises that are awarded a minimum required score in the scoring model. The assessment also involves setting up of portfolio control norms, individual borrower approval norms and stringent 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 has designed appropriate risk assessment methodologies for each of the segments. For corporates, borrower risk is evaluated by analyzing the industry risk, the borrower's market position, financial performance, cash flow adequacy and the quality of management. The credit risk of dealers, vendors and farmers is evaluated by analyzing the base credit quality of the borrowers or the pool and also the linkages between the borrowers and the companies to which they are dealers, vendors or farmers 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.

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 its corporate banking activities - the Credit Committee of the Board of Directors, the Committee of Directors, the Committee of Executives (Credit) and the Regional Committee (Credit). Retail Credit Forums, Small Enterprise Group Forums and Agri Credit Forums have been created for approval of

retail loans, credit facilities to small enterprises and agri-based enterprises respectively.

ICICI Bank's Board of Directors has delegated the authority to the Credit Committee, consisting of a majority of independent directors, to the Committee of Directors, consisting of ICICI Bank's 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 designated executives of ICICI Bank, and to individual executives in the case of retail, small enterprise and agricultural loans and loans against securities, to approve financial assistance within certain individual and group exposure limits set by the Board of Directors.

Quantitative and Qualitative Disclosures About Market Risk

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

Market Risk Management Procedures

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

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

Group are responsible for managing interest rate risk and liquidity risk, under the supervision of the Asset Liability Management Committee, on a day to day basis.

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

Interest Rate Risk

Since our balance sheet consists predominantly of rupee assets and

liabilities, movements in domestic interest rates constitute the main source of interest rate risk. The value of our portfolio of traded and other debt securities is negatively impacted by an increase in interest rates, while our net interest income is generally positively impacted by an increase in interest rates. 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 2006 were primarily floating rate loans where the rates are reset every quarter. Until December 31, 2003, we followed a four-tier prime rate structure, namely, a short-term prime rate for one-year loans or loans that re-price at the end of one year, a medium-term prime rate for one to three year loans, a long-term prime rate for loans with maturities greater than three years and a prime rate for cash credit products. Effective January 1, 2004, we have moved to a single benchmark prime rate structure for all loans other than specific categories of loans advised by the Indian Banks' Association (which include, among others, loans to individuals for acquiring residential properties, loans for purchase of consumer durables, non-priority sector personal loans and loans to individuals against shares, debentures, bonds and other securities), with lending rates comprising the benchmark prime rate, term premia and transaction-specific credit and other charges. Interest rates on loans outstanding at December 31, 2003 continue to be based on the four-tier prime rate structure. We seek to eliminate interest rate risk on undisbursed commitments by fixing interest rates on rupee loans at the time of loan disbursement.

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

We use the duration of our government securities portfolio as a key variable for interest rate risk management. We increase or decrease the duration

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

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

	At March 31, 2006(1)		
	Less than or equal to one year	Greater than one year to and up five years	Greater than five years
	(in millions)		
Loans, net	Rs. 1,059,866	Rs. 382,536	Rs. 120,201
Investments	395,973	258,998	185,168
Fixed assets	2,386	11,448	27,595
Other assets(2)	137,588	27,434	163,103
Total assets	1,595,813	680,416	496,067
Stockholders' equity and preference share capital	-	-	225,918
Borrowings(2)	198,626	167,462	83,911
Deposits	1,357,219	113,053	254,238
Other liabilities	23,306	97,435	251,128
Total liabilities	1,579,151	377,950	815,195
Total gap before risk management positions	16,662	302,466	(319,128)
Risk management positions(3)	(26,458)	61,054	(32,833)
Total gap after risk management positions	Rs. (9,796)	Rs. 363,520	Rs.(351,961)

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(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 from April 1, 2000. Items that neither mature nor re-price are included in the "greater than five years" category. This includes equity share capital and a substantial part of fixed assets. Impaired loans of residual maturity less than three years are classified in the "greater than one year and up to five years" category and impaired loans of residual maturity between three to five years are classified in the "greater than five years" category.

(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.

	At March 31, 2006		
	Fixed rate loans	Variable rate loans	Total
		(in millions)	
Loans............................	Rs. 622,416	Rs.444,743	Rs.1,067,159

The following table sets forth, using the balance sheet at year-end fiscal 2006 as the base, one possible prediction of the impact of adverse changes in interest rates on net interest income for fiscal 2007, assuming a parallel shift in the yield curve at year-end fiscal 2006.

	At March 31, 2006		
	Change in interest rates (in basis points)		
	(100)	(50)	50
	(in millions, except percentages)		
Rupee portfolio................................	Rs.(1,750)	Rs. (875)	Rs. 875
Foreign currency portfolio....................	(293)	(146)	146
Total..	Rs.(2,043)	Rs.(1,021)	Rs.1,021

Based on our asset and liability position at year-end fiscal 2006, the sensitivity model shows that net interest income from the banking book for fiscal 2007 would rise by Rs.2.0 billion (US$46 million) if interest rates increased by 100 basis points during fiscal 2007. Conversely, the sensitivity model shows that if interest rates

decreased by 100 basis points during fiscal 2007, net interest income for fiscal 2007 would fall by an equivalent amount of Rs.2.0 billion (US$46 million). Based on our asset and liability position at year-end fiscal 2005, the sensitivity model shows that net interest income from the banking book for fiscal 2006 would have risen by Rs. 785 million (US$ 18 million) if interest rates increased by 100 basis points during fiscal 2006. Conversely, the sensitivity model shows that if interest rates decreased by 100 basis points during fiscal 2006, net interest income for fiscal 2006 would have fallen by an equivalent amount of Rs. 785 million (US$ 18 million).

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

Price Risk (Trading book)

We undertake trading activities to enhance earnings through profitable trading for our own account. ICICI Securities Limited, our investment banking

subsidiary, 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 2006 as the base, one possible prediction of the impact of changes in interest rates on the value of our rupee fixed income trading portfolio for fiscal 2007, assuming a parallel shift in yield curve.

	At March 31, 2006				
		Change in interest rates (in basis points)			
	Portfolio Size	(100)	(50)	50	100
		(in millions)			
Government of India securities......	15,701	733	377	(377)	(733)
Corporate debt securities...........	6,972	85	102	(102)	(85)
Total.............................	22,673	818	479	(479)	(818)

At year-end fiscal 2006, the total value of our rupee fixed income trading portfolio was Rs. 22.7 billion (US$ 510 million). The sensitivity model shows that if interest rates increase by 100 basis points during fiscal 2007, the value of the trading portfolio would fall by Rs. 818 million (US$ 18 million). Conversely, if interest rates fell by 100 basis points during fiscal 2007, under the model, the value of this portfolio would rise by Rs. 818 million (US$ 18 million). At year-end fiscal 2005, the total value of our rupee fixed income trading portfolio was Rs. 19.3 billion (US$ 433 million). The sensitivity model shows that if interest rates increased by 100 basis points during fiscal 2006, the value of the trading portfolio would have fallen by Rs. 523 million (US$ 12 million). Conversely, if interest rates fell by 100 basis points during fiscal 2006, under the model, the value of this portfolio would have risen by Rs. 523 million (US$ 12 million).

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

We revalue our trading portfolio on a regular basis and recognize aggregate re-valuation losses in our profit and loss account. The asset liability management policy stipulates an interest rate risk limit which seeks to cap the risk on account of the mark-to-market impact on the mark-to-market book (under the Indian GAAP classification - see "Supervision and Regulation - Reserve Bank of India Regulations - Banks' Investment Classification and Valuation Norms") and the earnings at risk on the banking book, based on a sensitivity analysis of a 100 basis points parallel and immediate shift in interest rates.

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

ICICI Bank is required to invest a specified percentage, currently 25.0%, of its net demand and time liabilities in government of India securities to meet the statutory liquidity ratio requirement prescribed by the Reserve Bank of India. As a result, we have a very large portfolio of government of India securities classified as either available for sale or held to maturity securities. These are not included in the trading book analysis presented above.

Equity Risk

We assume equity risk both as part of our investment book and our trading book. On the investment book, investments in equity shares and preference shares are essentially long-term in nature. Nearly all the investment in equity securities have been driven by our project financing activities. The decision to invest in equity shares during project financing activities has been a conscious decision to participate in the equity of the company with the intention of realizing capital gains arising from the expected increases in market prices, and is separate from the lending decision. For further information on our trading and available for sale investments, see "Overview of ICICI Bank's Products and Services - Investment Banking - Treasury."

Exchange Rate Risk

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

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

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

Liquidity Risk

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

We maintain diverse sources of liquidity to facilitate flexibility in meeting funding requirements. Incremental operations are principally funded by accepting deposits from retail and corporate depositors. The deposits are augmented by borrowings in the short-term inter-bank market and through the

issuance of bonds. Loan maturities and sale of investments also provide liquidity. Most of the funds raised are used to extend loans or purchase securities. Generally, deposits have a shorter average maturity than loans or investments. For further information on liquidity risk, see "Operating and Financial Review of Prospects - Liquidity Risk."

Operational Risk

We are exposed to many types of operational risk. Operational risk is the risk of loss that can result from a variety of factors, including failure to obtain proper internal authorizations, improperly documented transactions, failure of operational and information security procedures, computer systems, software or equipment, fraud, inadequate training and employee errors or from external causes. Our exposure to operational risk has increased following our rapid international expansion in recent years. For a discussion on our vulnerability to operational risk, see "Risk Factors -- Risks Relating to Our Business -- There is operational risk associated with our industry which, when realized, may have an adverse impact on our business and the price of our equity shares and ADSs.", "Risk

Factors -- Risks Relating to Our Business -- We have experienced rapid international growth in the last three years which has increased the complexity of the risks that we face." and "Risk Factors -- Risks Relating to Our Business -- We are subject to legal and regulatory risk which may adversely affect our business and the price of our equity shares and ADSs." Our operational risk management policy aims at minimizing losses and customer dissatisfaction due to failure in processes, focusing on flaws in products and their design that can expose the Bank to losses due to fraud, etc., analyzing the impact of failures in technology/systems and developing mitigants to minimize the impact and developing plans for external shocks that can adversely impact the continuity in the Bank's operations. Our approach to operational risk management is designed to mitigate operational risk by maintaining a comprehensive system of internal controls, establishing systems and procedures to monitor transactions, maintaining key back-up procedures and undertaking regular contingency planning. New products and processes of ICICI Bank are approved by the Product and Process Committee before launch. The committee consists of representatives of legal, accounting, compliance and risk management groups. We follow a policy of centralizing a substantial portion of our operations related to various categories of products and services.

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 million (US$21,801) are subject to special scrutiny to avoid money laundering. Our banking software has multiple security features to protect the integrity of applications and data.

Operational Controls and Procedures for Internet Banking

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

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

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

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

Operational Controls and Procedures in Treasury

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

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

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

The Treasury Middle Office Group 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 manual issuances of disbursement cheques thus reducing any operational risk on account of manual intervention in the processes. No single team has the full authority to complete a transaction and carry out financial reconciliation. Each activity is segregated and carried out by an independent team.

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

Operational Controls and Procedures for Corporate Banking

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

Anti-money Laundering Controls

The Indian Parliament passed the Prevention of Money Laundering Act in 2002 and the Government of India notified the rules for implementation of the provisions of the Act in July 2005. Effective July 1, 2005, the provisions of this Act (as subsequently amended) and the rules notified thereunder by the Government have come into force. The Reserve Bank of India issued detailed guidelines to the banks on Know Your Customer and Anti-Money Laundering in November 2004 which superseded their prior instructions and were based on the recommendations of the Financial Action Task Force and the paper issued on Customer Due Diligence for banks by the Basel Committee on Banking Supervision. Banks were required to comply with these Reserve Bank of India guidelines by December 31, 2005. The Reserve Bank of India had also issued guidelines, on February 15, 2006, on the obligations of the banks under the provisions of Prevention of Money Laundering Act, 2002.

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Our Board of Directors approved a group anti-money laundering policy in January 2004, which established the standards of anti-money laundering

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

Global Risk Management Framework

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

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

Audit

The Internal Audit Group undertakes a comprehensive audit of all business groups and other functions including international branches, representative offices and subsidiaries, 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.

Legal and Regulatory Risk

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

Derivative Instruments Risk

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

Risk Management in Key Subsidiaries

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

of Directors.

ICICI Prudential Life Insurance Company Limited 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 84% of the policyholders' funds. As part of asset-liability management for the non-linked portfolio, ICICI Prudential Life Insurance Company Limited has covered the single premium non-participating portfolio by duration matching, rebalanced monthly. On the participating portfolio, the asset allocation strategy, which includes investments in equities, is designed to achieve the twin objectives of managing base guarantees and maximizing returns. The equity portfolio is benchmarked against a market index. In addition, there are exposure limits to companies, groups and industries. For mitigating operational risks, 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 Company Limited 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 Company Limited 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

ICICI Bank's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of ICICI Bank's "disclosure controls and procedures" (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended) as of March 31, 2006 and concluded that, as of the date of their evaluation, ICICI Bank's disclosure controls and procedures were effective to ensure that information required to be disclosed by ICICI Bank in the reports that it files or submits under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms.

There has been no change in ICICI Bank's internal control over financial reporting that has occurred during the fiscal year ended March 31, 2006, that

has materially affected, or is reasonably likely to materially affect, ICICI Bank's internal control over financial reporting.

Loan Portfolio

Our gross loan portfolio was Rs.1,577.1 billion (US$35.5 billion) at year-end fiscal 2006, an increase of 60.9 % over the gross loan portfolio of Rs.980.4 billion (US$22.0 billion) at year-end fiscal 2005. At year-end fiscal 2005, the gross loan portfolio increased 44.8 % to Rs.980.4 billion (US$22.0 billion) as compared to the gross loan portfolio of Rs.677.0 billion (US$15.2 billion) at year-end fiscal 2004. At year-end fiscal 2006, approximately 85.4 % 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,				
	2002	2003	2004	2005	
			(in millions)		
Consumer loans and credit card receivables(1)......	Rs. 62,116	Rs.179,646	Rs.281,946	Rs.532,138	Rs.
Rupee	62,116	179,646	281,494	526,541	
Foreign currency	-	-	452	5,597	
Commercial, financial, agricultural and others.........	443,087	397,609	393,642	447,359	
Rupee...........................	369,527	310,876	300,985	301,800	
Foreign currency................	73,560	86,733	92,657	145,559	
Leasing and related activities (2)	1,068	1,046	1,401	885	
Rupee............................	1,068	1,046	1,401	885	
Foreign currency	-	-	-	-	
Gross loans......................	506,271	578,301	676,989	980,382	
Rupee...........................	432,711	491,568	583,880	829,226	
Foreign currency	73,560	86,733	93,109	151,156	
Total gross loans.................	506,271	578,301	676,989	980,382	
Allowance for loan losses..........	(27,199)	(39,212)	(27,510)	(16,282)	
Net loans.........................	Rs. 479,072	Rs.539,089	Rs.649,479	Rs.964,100	Rs.

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(1) Includes installment loans and credit card receivables.

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

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Our gross consumer loans and credit card receivables increased to Rs.910.9 billion (US$20.5 billion), constituting 57.8 % of our gross loans at year-end fiscal 2006 from Rs.532.1 billion (US$12.0 billion), constituting 54.3 % of our gross loans at year-end fiscal 2005. Our gross foreign currency loans increased from Rs.151.1 billion (US$3.4 billion), constituting 15.4 % of our total gross loans at year-end fiscal 2005 to Rs.232.2 billion (US$5.2 billion), constituting 14.7 % of our total gross loans at year-end fiscal 2006.

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.

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 30 days with the Registrar of Companies pursuant to the provisions of the Companies Act when our clients are constituted as companies. This registration amounts to a constructive public notice to other business entities. We may also take security of a pledge of financial assets like marketable securities, 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 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. See "Overview of the Indian Financial Sector - Recent Structural Reforms - Legislative Framework for Recovery of Debts due to Banks".

In case of consumer loans, we obtain post-dated checks towards repayment on pre-specified dates, which if dishonored entitle us to initiate criminal 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 and fraudulent transfers by

borrowers. 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 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 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.

Pursuant to the guidelines of the Reserve Bank of India, ICICI Bank's credit exposure to individual borrowers must not exceed 15.0% of its 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 a bank's capital funds by an additional 5.0% (i.e. up to 20.0%) provided the additional credit exposure is on account of infrastructure financing. ICICI Bank's exposure to a group of companies under the same management control must not exceed 40.0% of its 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 ICICI Bank's 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 2006, ICICI Bank was in compliance with these guidelines.

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

	At March 31,							
	2002		2003		2004		2005	
	(in millions, except percentages)							
Retail finance(1).	Rs. 85,975	16.5%	Rs.202,320	34.9%	Rs.360,228	53.2%	Rs.596,027	60.8%
Services..........	34,427	6.6%	28,748	5.0%	21,069	3.1%	36,080	3.7%

Iron and steel....	63,437	12.2%	62,842	10.8%	49,331	7.3%	49,005	5.0%
Crude petroleum/ refining.......	31,520	6.1%	23,001	4.0%	19,720	2.9%	44,268	4.5%
Chemicals.........	37,292	7.2%	42,145	7.3%	33,578	5.0%	28,403	2.9%
Road/ port/ railways/ telecom........	18,139	3.5%	19,209	3.3%	27,961	4.1%	36,416	3.7%
Power.............	45,280	8.7%	37,974	6.6%	23,761	3.5%	18,577	1.9%
Engineering.......	35,248	6.8%	32,394	5.6%	23,997	3.5%	17,327	1.8%
Metal and metal products.	12,520	2.4%	11,609	2.0%	15,660	2.3%	18,110	1.8%
Food processing...	54	0.0%	4,464	0.8%	1,216	0.2%	6,806	0.7%
Other (2).........	155,842	30.0%	114,981	19.8%	100,964	14.9%	129,598	13.2%
Gross loans.......	Rs.519,736	100.0%	Rs.579,686	100.0%	Rs.677,485	100.0%	Rs.980,617	100.0%
Allowance for loan losses and interest suspense.......	(40,663)		(40,596)		(28,005)		(16,517)	
Net loans.........	Rs.479,073		Rs.539,090		Rs.649,479		Rs.964,100	

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

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

Our gross loan portfolio at year-end fiscal 2006 increased by 60.8% compared to the gross loan portfolio at year-end fiscal 2005. The largest increase was in retail finance, which was 62.2% of gross loans at year-end fiscal 2006 compared to 60.8% at year-end fiscal 2005 and 53.2% at year-end fiscal 2004. Our gross loans to the services sector as a percentage of gross loans increased to 6.3% at year-end fiscal 2006 compared to 3.7% at year-end fiscal 2005. Our gross loans to the iron and steel sector as a percentage of gross loans decreased to 3.0% at year-end fiscal 2006 compared to 5.0% at year-end fiscal 2005.

At year-end fiscal 2006, our 20 largest borrowers accounted for approximately 11.1% of our gross loan portfolio, with the largest borrower accounting for approximately 1.9% of our gross loan portfolio. The largest group of companies under the same management control accounted for approximately 2.5% of our gross loan portfolio.

Geographic Diversity

Our portfolios were geographically diversified throughout India. The state of Maharashtra, which is one of the most industrialized states in India, accounted for the largest proportion of our gross loans outstanding at year-end fiscal 2006.

Directed Lending

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

Priority Sector Lending

The Reserve Bank of India has established guidelines requiring banks to lend 40.0% of their net bank credit (total domestic loans less marketable debt instruments and certain exempted categories permitted by the Reserve Bank of India from time to time) to certain specified sectors called priority sectors. Priority sectors include small-scale industries, the agricultural sector, food and agri-based industries, small businesses and housing finance up to certain limits. The agricultural sector is further bifurcated into direct finance to agriculture which mainly includes short-term crop loans and medium and long term loans provided directly to farmers for financing production and development needs and indirect finance to agriculture which mainly includes financing the distribution of fertilisers, pesticides and seeds, financing distribution of inputs for the allied activities such as cattle feed and poultry feed. and various other specified categories. Out of the 40.0%, banks are required to lend a minimum of 18.0% of their net bank credit to the agriculture sector (including direct agriculture and indirect agriculture) and the balance to certain specified sectors, including small scale industries (defined as manufacturing, processing and services businesses with a limit of Rs.10 million on investment in plant and machinery, and an investment limit of Rs.50 million in respect of certain specified items), small businesses, including retail merchants, professional and other self employed persons and road and water transport operators, housing loans up to Rs. 1.5 million and to specified state financial corporations and state industrial development corporations. To ensure focus of banks on direct agricultural advances, the Reserve Bank of India has stipulated that lending under the indirect category should not exceed one-fourth of the agricultural sub-target of 18%. Therefore, banks are necessarily required to lend 13.5% of their net bank credit to the direct agricultural sector. While granting its approval for the amalgamation, the Reserve Bank of India stipulated that since ICICI's loans transferred to ICICI Bank were not subject to the priority sector lending requirement, the Bank is required to maintain priority sector lending of 50.0% of its domestic net bank credit on the residual portion of its advances (i.e., the portion of total advances excluding advances of ICICI, henceforth referred to as residual net bank credit). This additional 10.0% priority sector lending requirement will apply until such time as the 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 the Bank.

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

At year-end fiscal 2006, our priority sector loans were Rs.432.29 billion (US$9.7 billion), constituting 49.7% of our residual net bank credit against the

requirement of 50.0%. The following table sets forth our priority sector loans, classified by the type of borrower, at year-end fiscal 2006.

	At March 31,		% of residual net bank credit at March 31,
	2006	2006	2006
	(in millions, except percentages)		
Small scale industries..........	Rs. 3,513	US$ 79	0.4%
Others including residential mortgage less than Rs.1.5 million and small businesses...................	282,199	6,344	32.4
Agricultural sector (1).........	146,582	3,295	16.8
Total..........................	Rs.432,295	US$9,719	49.7%

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

Export Credit

As part of directed lending, the Reserve Bank of India also requires banks to make loans to exporters at concessional rates of interest. Export credit is provided for pre-shipment and post-shipment requirements of exporter borrowers in rupees and foreign currencies. At the end of the 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 year-end fiscal 2006, our export credit was Rs.11.5 billion (US$259 million), constituting 1.3% of our residual net bank credit.

Housing Finance

The Reserve Bank of India requires banks to lend up to 3.0% of their incremental deposits in the previous fiscal year for housing finance. This can be in the form of home loans to individuals or investments in the debentures and bonds of the National Housing Bank and housing development institutions recognized by the government of India. Housing finance also qualifies as priority sector lending. At year-end fiscal 2006, our housing finance qualifying as priority sector advances was Rs.234.27 billion (US$5.3 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 Bank 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 and our cost of funds. The ICICI Benchmark Advance Rate is 13.75% p.a. payable monthly, effective June 12, 2006. 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 ICICI Bank Canada. ICICI Home Finance Company classifies loans and other credit facilities as per the National Housing Bank guidelines into performing and non-performing assets. Loans of our Canadian subsidiary 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."

Asset Classification

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

Performing assets:	
Standard assets	Assets that do not disclose any problems or which do not carry mor attached to the business are classified as standard assets.
Non-performing assets:	
Sub-standard assets	Sub-standard assets comprise assets that are non-performing for a 12 months (18 months until fiscal 2003).
Doubtful assets	Doubtful assets comprise assets that are non-performing for more t months until fiscal 2003).
Loss assets	Loss assets comprise assets (i) the losses on which are identified considered uncollectible.

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

non-performing loans and advances in our financial statements.

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 a provision is made to the extent of the sacrifice involved. Similar guidelines apply to sub-standard assets. The sub-standard accounts which have been subjected to restructuring, whether in respect of principal installment or interest amount are eligible to be upgraded to the standard category only after the specified period, i.e., a period of one year after the date when first payment of interest or of principal, whichever is earlier, falls due, subject to satisfactory performance during the period.

Provisioning and write-offs

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's guidelines issued in September 2005, banks are required to make general provisions at 0.40% on standard loans (excluding loans to agriculture sector and to small and medium enterprises). As per the Reserve Bank of India's 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 were increased to 1.00% from 0.40%. Further, in its guidelines issued in July 2006, Reserve Bank of India has allowed banks to create the above additional provision in a phased manner as given below. a) 0.55% for the three months ending June 2006; b) 0.70% for the six months ending September 2006; c) 0.85% for the nine months ending December 2006; and d) 1.00% for the year ending March 2007.
Sub-standard assets	A general provision of 10% is required for all sub-standard assets. An additional provision of 10% is required for accounts that are unsecured, ab-initio.
Doubtful assets	A 100% provision 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 year-end fiscal 2005, a 100% provision is required for assets classified as doubtful for more than three years on or after April 1, 2004. In respect of assets classified as doubtful for more than three years up to March 31, 2004, 60% to 100% provision on such secured portion is required as follows:

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 value of the future interest as per the original loan agreement and the present value of the future interest on the basis of rescheduled terms at the time of restructuring, is required to be made.

There are separate guidelines for projects under implementation which are based on the achievement of financial closure and the date of approval of the project financing.

Our policy

Until fiscal 2004, the 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 the quarter ended June 30, 2004, the 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. We make provisions and write-offs for retail non-performing loans in excess of the provisions required by the Reserve Bank of India guidelines. Non-performing assets acquired from ICICI in the amalgamation were fair valued and additional provisions were recorded to reflect the fair valuation. We do not distinguish between provisions and write-offs while assessing the adequacy of our loan loss coverage, as both provisions and write-offs represent a reduction of the principal amount of a non-performing asset. In compliance with regulations governing the presentation of financial information by banks, we report non-performing assets net of cumulative write-offs in our financial statements.

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

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

	At March 31,				
	2002	2003	2004	2005	
	(in millions, except percentages)				
Commercial, financial, agricultural and others (1)...	Rs.50,431	Rs.90,018	Rs.72,599	Rs.64,524	Rs.
Rupee..........................	35,534	48,582	57,941	51,146	
Foreign currency...............	14,897	41,436	14,658	13,378	
Working capital finance..........	-	2,857	2,855	1,099	
Rupee..........................	-	2,857	2,855	1,099	
Foreign currency...............	-	-	-	-	
Total restructured loans.........	50,431	92,875	75,454	65,623	
Rupee..........................	35,534	51,439	60,796	52,245	
Foreign currency...............	14,897	41,436	14,658	13,378	
Gross restructured loans.........	50,431	92,875	75,454	65,623	
Provision for loan losses........	(3,453)	(3,443)	(9,169)	(2,991)	(
Net restructured loans...........	Rs.46,978	Rs.89,432	Rs.66,285	Rs.62,632	Rs.
Gross customer assets............	Rs.621,140	Rs.702,331	Rs.772,986	Rs.1,049,431	Rs.1,6
Net customer assets..............	591,207	651,885	736,297	1,029,299	1,6
Gross restructured loans as a percentage of gross customer assets.......................	8.12%	13.22%	9.76%	6.25%	
Net restructured loans as a percentage of net customer assets.......................	7.95%	13.72%	9.00%	6.08%	

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(1) Excludes working capital finance.

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,				
	2002	2003	2004	2005	
	(in millions, except percentages)				
Consumer loans & credit card receivables..................	Rs.201	Rs.1,121	Rs.3,544	Rs.8,428	Rs.
Rupee..........................	201	1,121	3,544	8,426	
Foreign currency...............	-	-	-	2	
Commercial, financial, agricultural and others (1)...	48,936	52,704	32,617	23,653	
Rupee..........................	32,933	37,769	25,632	20,098	
Foreign currency...............	16,003	14,935	6,985	3,555	
Working capital finance..........	3,998	4,779	4,541	2,808	
Rupee..........................	3,998	4,779	4,541	2,808	
Foreign currency...............	-	-	-	-	

Leasing and related activities...	616	459	119	84

	At March 31,				
	2002	2003	2004	2005	
	(in millions, except percentages)				
Rupee..........................	616	459	119	84	
Foreign currency...............	-	-	-	-	
Total non-performing assets......	53,751	59,063	40,821	34,973	
Rupee..........................	37,748	44,128	33,836	31,416	
Foreign currency...............	16,003	14,935	6,985	3,557	
Gross non-performing assets......	53,751	59,063	40,821	34,973	
Provision for loan losses........	(26,010)	(26,922)	(19,829)	(14,606)	(
Interest suspended & ECGC claims(2)....................	(477)	(490)	(502)	(284)	
Net non-performing assets........	Rs.27,264	Rs.31,651	Rs.20,490	Rs.20,083	Rs.
Gross customer assets............	Rs.621,140	Rs.702,331	Rs.772,986	Rs.1,049,431	Rs.1,6
Net customer assets..............	591,207	651,885	736,297	1,029,299	1,6
Gross non-performing assets as a percentage of gross customer assets.......................	8.65%	8.41%	5.28%	3.33%	
Net non-performing assets as a percentage of net customer assets.......................	4.61%	4.86%	2.78%	1.95%	

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(1) Excludes working capital finance.

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

The ratio of net non-performing assets to net customer assets was 0.67% at March 31, 2006 as compared to 1.95% at March 31, 2005. At March 31, 2006, the gross non-performing assets (net of write-offs) were Rs.23.1 billion (US$ 519 million) compared to Rs.35.0 billion (US$ 786 million) at March 31, 2005. Gross of technical write-offs, the gross non-performing assets at March 31, 2006 were Rs.29.8 billon (US$ 670 million) compared to Rs.51.8 billion (US$ 1.2 billion) at March 31, 2005. 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 March 31, 2006 was 63.7% compared to 61.2% at March 31, 2005.

In 1991, India commenced a program of industrial liberalization involving, among other things, the abolition of industrial licensing, reduction in import tariff barriers and greater access for foreign companies to the Indian markets. In the period following the opening up of the economy, a number of Indian companies commenced large projects in expectation of growth in demand in India. These projects had in general relatively high levels of debt relative to

equity, given the inadequate depth in the equity capital markets in India at that time. During the 1990s, the Indian economy was impacted by negative trends in the global marketplace, particularly in the commodities markets, and recessionary conditions in various economies, which have impaired the operating environment for the industrial sector in India. The manufacturing sector was also impacted by several other factors, including increased competition arising from economic liberalisation in India and volatility in industrial growth and commodity prices. This has led to stress on the operating performance of Indian companies and an increase in the level of non-performing assets in the Indian financial system, including ICICI and us.

Certain Indian corporations have come to terms with this new competitive reality through a process of restructuring and repositioning, including rationalization of capital structures and production capacities. The increase in commodity prices since fiscal 2003 has had a favorable impact on the operations of corporations in several sectors. To create an institutional mechanism for the restructuring of corporate debt, the Reserve Bank of India has devised a corporate debt restructuring system. The objective of this framework is to ensure a timely and transparent mechanism for the restructuring of corporate debts of viable entities facing problems. The operation of this system led to the approval of restructuring programs for a large number of companies, which led to an increase in the level of restructured loans in the Indian financial system, including us. The restructured loans continue to be classified as such until they complete one year of payment in accordance with the restructured terms. Our net restructured standard loans were Rs.53.16 billion at March 31, 2006 compared to Rs.62.63 billion at March 31, 2005.

Non-Performing Asset Strategy

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

The Securitisation Act has strengthened the ability of lenders to resolve non-performing assets by granting them greater rights as to enforcement of security and recovery of dues from corporate borrowers. The Securitisation Act and guidelines issued by the Reserve Bank of India have permitted the setting up of asset reconstruction companies to acquire financial assets by banks and financial institutions. The Reserve Bank of India has issued guidelines to banks on the process to be followed for sales of financial assets to asset reconstruction companies. These guidelines provide that a bank may sell financial assets to an asset reconstruction company provided the asset is a non-performing asset. (See "Supervision and Regulation -- Reserve Bank of India Regulations -- Regulations relating to Sale of Assets to Asset Reconstruction Companies"). We sold Rs.4.79 billion of our net non-performing assets during fiscal 2006 and Rs.13.28 billion of our net non-performing assets during fiscal 2005 to Asset Reconstruction Company (India) Limited, a reconstruction company registered with the Reserve Bank of India.

We monitor migration of the credit ratings of our borrowers to enable us to take proactive remedial measures to prevent loans from becoming non-performing.

We review the industry outlook and analyse the impact of changes in the regulatory and fiscal environment. Our periodic review system helps us to monitor the health of accounts and to take prompt remedial measures.

A substantial portion of our loans to retail customers is also secured by a first and exclusive lien on the assets financed (predominantly property and vehicles). We are entitled in terms of our security documents to repossess security comprising assets such as plant, equipment and vehicles without reference to the courts or tribunals unless a client makes a reference to such courts or tribunals to stay our actions. In respect of our retail loans, we adopt a standardised collection process to ensure prompt action for follow-up on overdues and recovery of defaulted amounts. Our loans have historically been sufficiently over-collateralized so that once collateral is realized we recover a substantial amount of our loan outstanding. However, recoveries may be subject to delays of up to several years, due to the long legal process in India. This leads to delay in enforcement and realization of collateral. We maintain the non-performing assets on our books for as long as the enforcement process is ongoing. Accordingly, a non-performing asset may continue for a long time in our portfolio until the settlement of loan account or realization of collateral, which may be longer than US banks under similar circumstances.

See also "Loan portfolio -- Collateral -- Completion, Perfection and Enforcement".

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.

	At March 31,								
	2002		2003		2004		2005		
	(in millions, except percentages)								
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	
Crude petroleum/ refining...........	-	-	-	-	7,448	23.1	18,340	27.9	1
Road/port/railways/telecom & other infrastructure	-	-	2,277	2.5	10,276	13.6	15,255	23.2	1
Iron and steel.........	9,870	19.6	43,226	46.5	8,488	11.2	10,501	16.0	
Other metal & metal products...........	1,542	3.1	1,456	1.6	3,377	4.5	3,143	4.8	
Chemicals (including fertilizers & pesticides).........	4,346	8.6	5,997	6.5	8,442	11.2	6,912	10.5	
Power..................	2,496	4.9	1,155	1.2	1,202	1.6	2,694	4.1	
Paper and paper products...........	991	2.0	725	0.8	1,159	1.5	920	1.4	
Engineering...........	1,601	3.2	2,399	2.6	4,022	5.3	509	0.8	
Cement.................	1,263	2.5	6,044	6.5	2,765	3.7	1,143	1.8	
Automobiles (including trucks)..	5,869	11.6	6,609	7.1	6,584	8.7	2,409	3.7	
Textiles..............	11,427	22.7	5,873	6.3	2,346	3.1	418	0.6	
Services (excluding finance)...........	513	1.0	2,320	2.5	852	1.2	417	0.6	
Food processing........	-	-	176	0.2	-	-	-	-	
Others.................	10,513	20.8	14,618	15.7	8,493	11.3	2,962	4.6	

	At March 31,								
	2002		2003		2004		2005		
	(in millions, except percentages)								
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	
Gross restructured loans..............	50,431	100.0	92,875	100.0	75,454	100.0	65,623	100.0	5
Aggregate provision for loan losses.....	(3,453)		(3,443)		(9,169)		(2,991)		(
Net restructured loans	46,978		89,432		66,285		62,632		5

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 gross non-performing assets.

	At March 31,								
	2002		2003		2004		2005		
	(in millions, except percentages)								
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	
Chemicals (including fertilisers & pesticides)........	13,043	24.4	15,127	25.6	8,494	20.8	4,026	11.5	1,
Textiles.............	8,191	15.3	9,811	16.6	4,261	10.4	3,239	9.3	1,
Services (excluding finance)	1,027	1.9	798	1.4	828	2.0	670	1.9	
Agriculture...........	200	0.4	237	0.4	219	0.5	271	0.8	
Automobiles (including trucks)	278	0.5	734	1.2	686	1.7	678	1.9	
Electronics...........	969	1.8	1,046	1.8	1,019	2.5	1,414	4.0	
Food processing.......	2,386	4.4	1,501	2.5	994	2.4	722	2.1	
Iron and steel........	9,146	17.0	7,672	13.0	1,663	4.1	670	1.9	
Engineering...........	4,224	7.9	4,113	7.0	2,136	5.2	1,420	4.1	
Other metal & metal products...........	2,705	5.0	3,213	5.4	1,981	4.9	379	1.1	
Paper and paper products...........	2,069	3.9	1,734	2.9	598	1.5	350	1.0	
Road/port/railways & other infrastructure.....	180	0.3	180	0.3	-	-	2,141	6.1	
Power................	338	0.6	623	1.1	6,200	15.2	7,373	21.1	
Services -- finance....	345	0.6	1,542	2.6	836	2.0	762	2.2	
Cement................	1,406	2.6	1,623	2.7	1,545	3.8	196	0.6	
Retail finance(1).....	233	0.4	1,137	1.9	3,593	8.8	8,452	24.2	14,
Others...............	7,011	13.0	7,972	13.6	5,768	14.2	2,210	6.2	1,
Gross non-performing									

assets............	53,751	100.0	59,063	100.0	40,821	100.0	34,973	100.0	23,
Aggregate provision for loan losses....	(26,010)		(26,922)		(19,829)		(14,606)		(12,
Interest suspended & ECGC claims(2).....	(477)		(490)		(502)		(284)		(
Net non-performing assets.............	27,264		31,651		20,490		20,083		10,

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(1) Includes dealer funding and developer financing.
(2) Includes amounts claimed as recoverable from Export Credit Guarantee Corporation of India.

Gross retail non-performing loans increased from Rs.8.45 billion (US$190 million) at year-end fiscal 2005 to Rs.14.45 billion (US$325 million) at year-end fiscal 2006, primarily due to the growth of the retail portfolio. The net non-performing assets in the retail portfolio at March 31, 2006 were 0.73% of net retail assets. Retail non-performing loans constituted 62.6% of total non-performing assets at March 31, 2006 compared to 24.2% at year-end fiscal 2005, due to a reduction in non-performing loans excluding retail loans, and an increase in retail non-performing loans in line with the growth in the retail portfolio.

Provision for Loan Losses

The following table sets forth, at the dates indicated, movement in our provisions for loan losses for non-performing customer assets.

	At March 31,				
	2002	2003	2004	2005	200
			(in millions)		
Aggregate provision for loan losses at the beginning of the year....................	Rs. 2,519	Rs. 26,010	Rs. 26,922	Rs.19,829	Rs.14
Add: Provisions for loan losses					
Retail finance(1)............	100	241	597	4,360	1
Commercial, financial, agricultural and others(2)	24,717	5,423	3,438	(1,106)	
Working capital finance......	2,462	1,336	(351)	963	
Leasing & related activities.	141	10	(68)	(11)	
Total provisions for loan losses, net of releases of provisions	Rs.29,939	Rs.33,020	Rs. 30,538	Rs.24,035	Rs.1
Loans charged-off..............	(3,929)	(6,098)	(10,709)	(9,429)	(
Aggregate provision for loan losses at the end of the year.......................	Rs.26,010	Rs.26,922	Rs. 19,829	Rs.14,606	Rs.1

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

Subsidiaries and Joint Ventures

Prior to the amalgamation, ICICI Bank had no subsidiaries. Subsequent to the amalgamation, the subsidiaries and joint ventures of ICICI have become our subsidiaries and joint ventures.

The following table sets forth, certain information relating to our direct subsidiaries and joint ventures for the year ended March 31, 2006.

Name	Year of formation	Activity	Ownership interest	Total income(1)
				(in millions, exce
ICICI Securities Limited..........	February,1993	Investment banking	99.90%	Rs. 4,059 R
ICICI Brokerage Services Limited..	March, 1995	Securities broking	99.90%	713
ICICI Securities Inc..............	June, 2000	Investment banking	99.90%	288
ICICI Securities Holdings Inc.....	June, 2000	Investment banking	99.90%	35
ICICI Prudential Life Insurance Company Limited(7)..............	July, 2000	Life insurance	74.00%	56,982
ICICI Lombard General Insurance Company Limited(7)..............	October, 2000	General insurance	74.00%	7,860
Prudential ICICI Asset Management Company Limited(6)..............	June, 1993	Asset management company for Prudential ICICI Mutual Fund	50.99%	1,415
Prudential ICICI Trust Limited(6).	June, 1993	Trustee company for Prudential ICICI Mutual Fund	50.80%	4
ICICI Venture Funds Management Company Limited.................	January, 1988	Venture fund management	100.00%	1,146
ICICI Home Finance Company Limited(4)......................	May, 1999	Housing finance	100.00%	3,135
ICICI Trusteeship Services Limited	April, 1999	Trusteeship services	100.00%	0.3

Name	Year of formation	Activity	Ownership interest	Total income(1)
				(in millions, exce

ICICI Investment Management Company Limited................	March, 2000	Investment management	100.00%	8
ICICI International Limited.......	January, 1996	Offshore fund management	100.00%	0.3
ICICI Bank UK Limited............	February, 2003	Banking	100.00%	3,647
ICICI Bank Canada.........................	September, 2003	Banking	100.00%	997
ICICI Bank Eurasia L.L.C(5).......	May, 1998	Banking	100.00%	156
ICICI Property Trust.............	June, 2001	Assets and investments management	100.00%	Nil
TCW/ICICI Investment Partners LLC(8).........................	April, 1995	Asset and fund management company	50.00%	4
TSI Ventures (India) Private Limited(9)..............	May, 2005	Real estate consultant	50.00%	Nil

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(1) Total income represents gross income from operations and other income.

(2) Net worth represents share capital/unit capital and reserves and surplus.

(3) Total assets represents fixed assets, advances, investments and gross current assets (including cash and bank balances).

(4) Effective August 11, 2005, ICICI Distribution Finance Private Limited has merged with ICICI Home Finance Company Limited. Post its merger; ICICI Distribution Finance Private Limited ceased to be a subsidiary of the Bank.

(5) ICICI Bank Eurasia Limited Liability Company has become a subsidiary of ICICI Bank Limited with effect from May 19, 2005, being the date of its acquisition.

(6) Effective August 26, 2005, Prudential ICICI Asset Management Company Limited and Prudential ICICI Trust Limited have become subsidiaries of the Bank. Therefore these jointly controlled entities have been consolidated as per the principles of Accounting Standard 21 on Preparation of Consolidated Financial Statements (AS 21) in line with the limited revision made to AS 27 on Financial Reporting of Interests in Joint Ventures in Consolidated Financial Statements (AS 27).

(7) As per the limited revision made to Accounting Standard 27 (AS 27) on "Financial Reporting of Interests in Joint Ventures" issued by the Institute of Chartered Accountants of India, these jointly controlled entities are consolidated as per the principles of Accounting Standard 21 (AS 21) on "Consolidated Financial Statements". According to this limited revision, if a jointly controlled entity qualifies as a subsidiary as per AS 21, then that entity should be fully consolidated as per the principles of AS 21 and not proportionately consolidated as per the principles of AS 27.

(8) This investment is accounted as per the proportionate consolidation method as defined in AS 27 in the Consolidated Financial Statements.

(9) During fiscal 2006, ICICI Bank entered into a 50:50 joint venture with Tishman Speyers Properties through its subsidiary ICICI Venture Funds Management Company Limited. The joint venture called TSI Ventures (India) Private Limited is a real estate consultant, which offers advisory services in relation to commercial, residential and retail properties throughout India. This investment is accounted as per the proportionate consolidation method as defined in AS 27 in the Consolidated Financial Statements.

The following table sets forth certain information on other significant entities required to be consolidated in our financial statements under Indian GAAP for the year ended March 31, 2006.

Name	Year of formation	Activity	Ownership interest	Total income(1)
			(in millions, exce	
ICICI Eco-net Internet & Technology Fund................	October, 2000	Venture capital fund	92.03%	Rs. 45
ICICI Equity Fund................	March, 2000	Venture capital fund	100.00%	1,680
ICICI Emerging Sectors Fund.......	March, 2002	Venture capital fund	98.85%	595
ICICI Strategic Investments Fund..	February, 2003	Venture capital fund	100.00%	101

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(1) Total income represents gross income from operations and other income.

(2) Net worth represents share capital/unit capital (in case of venture capital funds) and reserves and surplus.

(3) Total assets represents fixed assets, advances, investments and gross current assets (including cash and bank balances).

At year-end fiscal 2006, all of our subsidiaries and joint ventures, were incorporated in India, except the following seven companies:

- ICICI Securities Holdings Inc., incorporated in the US;
- ICICI Securities Inc., incorporated in the US;

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- ICICI Bank UK Limited, incorporated in the United Kingdom;
- ICICI Bank Canada, incorporated in Canada;
- ICICI Bank Eurasia Limited Liability Company, incorporated in Russia;
- ICICI International Limited, incorporated in place Mauritius; and
- TCW/ICICI Investment Partners Limited Liability Company, incorporated in Mauritius

ICICI Securities Holdings Inc. is a wholly owned subsidiary of ICICI Securities and ICICI Securities Inc. is a wholly owned subsidiary of ICICI Securities Holdings Inc. ICICI Securities Holdings Inc. and ICICI Securities Inc. are consolidated in ICICI Securities' financial statements.

ICICI Bank Canada is in the process of incorporating a subsidiary to be known as ICICI Wealth Management Inc. This company would be engaged in the business of distribution of funds and other securities in Canada.

Technology

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

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

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

Technology Organization

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

business groups while the technology management group aggregates the requirements of various business groups to ensure enterprise-wide consistency.

Banking Application Software

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

Electronic and Online Channels

We use a combination of physical and electronic delivery channels to maximize customer choice and convenience, which has helped the differentiation of our products in the marketplace. Our branch banking software is flexible and scaleable and integrates well with its electronic delivery channels. Our ATMs are sourced from some of the world's leading vendors. These ATMs work with the branch banking software. At June 30, 2006, we had 2,275 ATMs across India. We were one of the first banks to offer online banking facilities to our customers. We now offer a number of online banking services to our customers for both corporate and retail products and services. Our telephone banking call centers employ approximately 4,150 phone banking officers, across locations, at Mumbai, Thane and Hyderabad, which are operational round the clock. These telephone banking call centers use an Interactive Voice Response System. The call centers are based on the latest technology and provide an integrated customer database that allows the call agents to get a complete overview of the customer's relationship with us. The database enables customer segmentation and assists the call agent in identifying cross-selling opportunities.

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

High-Speed Electronic Communications Infrastructure

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

Operations relating to Commercial Banking for Corporate Customers

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

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

Customer Relationship Management

We have implemented a customer relationship management solution for automation of customer handling in all key retail products. The solution helps

in tracking and timely resolution of various customer queries and issues. The solution has been deployed at the telephone banking call centers as well as a large number of branches.

Data Warehousing and Data Mining

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

Data center and disaster recovery system

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

Competition

We face competition in all our principal areas of business from Indian and foreign commercial banks, housing finance companies, mutual funds and investment banks. ICICI Bank is the largest private sector bank in India and the second largest bank among all banks in the country, in terms of total assets, with total assets of Rs. 2,513.9 billion (US$ 56.5 billion) at March 31, 2006. We seek to gain competitive advantage over our competitors by offering innovative products and services, the use of technology, building customer relationships and developing a team of highly motivated and skilled employees. We evaluate our competitive position separately in respect of our products and services for retail and corporate customers.

Commercial banking products and services for retail customers

In the retail markets, competition is primarily from foreign and Indian commercial banks and housing finance companies. Foreign banks have product and delivery capabilities but are likely to focus on limited customer segments and geographical locations since they have a smaller branch network than Indian commercial banks. Foreign banks in aggregate had only 236 branches in India at year-end fiscal 2006. Indian commercial banks have wide distribution networks but relatively less strong technological and marketing capabilities. We seek to compete in this market through a full product portfolio, effective distribution channels, which include agents, robust credit processes and collection mechanisms, experienced professionals and superior technology.

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

another source of competition to us. Mutual funds offer tax advantages and have the capacity to earn competitive returns and hence, have increasingly become a viable alternative to bank deposits.

Commercial banking products and services for corporate customers

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

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

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

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

Other business areas

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

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

Our insurance and asset management joint ventures face competition from existing dominant public sector players as well as new private sector players. We believe that the key competitive strength of our insurance joint ventures is the combination of our experience in the Indian financial services industry with the global experience and skills of our joint venture partners. We believe that ICICI Prudential Life Insurance Company Limited, ICICI Lombard General Insurance Company Limited and Prudential ICICI Asset Management Company Limited have built strong product, distribution and risk management capabilities, achieving market leadership positions in their respective businesses. ICICI Prudential Life Insurance Company Limited had a retail market share of about 32% in new business written (on weighted received premium basis) by private sector life insurance companies from April to June 2006. ICICI Lombard General Insurance Company Limited had a market share of about 35% among the private sector general insurance companies from April to June 2006. Prudential ICICI Asset Management Company was the largest player in the Indian mutual fund industry at June 30, 2006 with a market share of about 11% in terms of assets under management.

Employees

At year-end fiscal 2006, we had 41,871 employees, compared to 29,374 employees at year-end fiscal 2005 and 17,830 employees at year-end fiscal 2004. Of these, 25,384 employees at year-end fiscal 2006 were employed by ICICI Bank, an increase from 18,029 at year-end fiscal 2005 and 13,549 at year-end fiscal 2004. Of our 41,871 employees at year-end fiscal 2006, 15,476 were professionally qualified, holding degrees in management, accountancy, engineering, law, computer science, economics or banking.

Management believes that it has good relationships with its employees.

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

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

ICICI Bank has an employee stock option scheme to encourage and retain high performing employees. Pursuant to the employee stock option scheme as amended by the Scheme of Amalgamation and further amended in September 2004, up to 5.0% of

the aggregate of our issued equity shares at the time of grant of the stock options can be allocated under the employee stock option scheme. The stock option entitles eligible employees to apply for equity shares. The grant of stock options is approved by ICICI Bank's Board of Directors on the recommendations of the Board Governance and Remuneration Committee. The eligibility of each employee is determined based on an evaluation of the employee including employee's work performance, technical knowledge and leadership qualities. Moreover, ICICI Bank places considerable emphasis and value on its policy of encouraging internal communication and consultation between employees and management. See also "Management - Compensation and Benefits to Directors and Officers - Employee Stock Option Scheme."

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

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

The following table sets forth, at the dates indicated, the approximate number of employees in ICICI Bank and its consolidated subsidiaries and other consolidated entities.

	At March 31,			
	2004		2005	
	Number	% to total	Number	% to total
ICICI Bank Limited......................	13,549	75.9%	18,029	61.4%
ICICI Prudential Life Insurance Company Limited..............................	3,298	18.5	5,186	17.7
ICICI Lombard General Insurance Company Limited..............................	555	3.1	1,249	4.25
ICICI Home Finance Company Limited........	-	-	4,324(1)	14.7
Prudential ICICI Asset Management Company Limited..............................	181	1.0	236	0.8

	At March 31,			
	2004		2005	
	Number	% to total	Number	% to total
ICICI Securities Limited.................	146	0.8	172	0.6
Others...................................	101	0.7	178	0.6
Total number of employees................	17,830	100.0%	29,374	100.0%

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(1) All employees of ICICI Home Finance Company Limited became employees of ICICI Bank Limited in August 2003.

The increase in number of employees in fiscal 2006 was primarily in ICICI Bank, ICICI Prudential Life Insurance Company Limited and ICICI Home Finance Company Limited, which have grown their distribution and operations capabilities.

The following table sets forth, the approximate number of employees in ICICI Bank and its consolidated subsidiaries and other consolidated entities at August 31, 2006.

	Number	% to total
ICICI Bank..	29,689	55.2%
ICICI Prudential Life Insurance Company Limited.........	13,836	25.7
ICICI Lombard General Insurance Company Limited.........	3,363	6.2
ICICI Home Finance Company Limited.....................	5,932	11.0
Prudential ICICI Asset Management Company Limited.......	349	0.6
ICICI Securities Limited...............................	215	0.4
Others...	427	0.8
	53,811	100.0

The increase in number of employees during the period April 1 to August 31, 2006 was primarily on account of an increase in recruitment of employees by ICICI Bank and ICICI Prudential Limited Life Insurance Company Limited.

Properties

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

ICICI Bank had a principal network consisting of 575 branches, 49 extension counters and 2,275 ATMs at June 30, 2006. These facilities are located throughout India. 40 of these facilities are located on properties owned by us, while the remaining facilities are located on leased properties. In addition to the branches, extension counters and ATMs, ICICI Bank has 18 controlling/administrative offices including the registered office at Vadodara and the corporate headquarters at Mumbai, 22 regional processing centers in various cities and one central processing center at Mumbai. It also has a branch each in Singapore, Dubai International Finance Centre, Sri Lanka, Hong Kong and cBahrain and one representative office each in the United States, China, United Arab Emirates, Bangladesh and South Africa. It also provides residential and

holiday home facilities to employees at subsidized rates. ICICI Bank has 850 apartments for its employees.

Legal and Regulatory Proceedings

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

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

At year-end fiscal 2006, we had been assessed an aggregate of Rs. 30.3 billion (US$ 682 million) in excess of the provision made in our accounts, in income tax, interest tax, wealth tax and sales tax demands by the government of India's tax authorities for past years. We have appealed each of these tax demands. The effect of enquiries initiated by the authorities cannot be quantified as we believe that the proceedings so initiated are likely to be dropped. Based on consultation with counsel and favourable decisions in our own or other cases as set out below, management believes that the tax authorities are not likely to be able to substantiate their income tax, interest tax, wealth tax and sales tax assessment and accordingly has not provided for these tax demands at year-end fiscal 2006.

- We have received favorable decisions from the appellate authorities with respect to Rs. 1.4 billion (US$ 31.5 million) of the assessment. The income tax authorities have appealed these decisions to higher appellate authorities and the same are pending adjudication.

- In our appeal of the assessment of sales tax aggregating to Rs. 447.5 million (US$ 10.1 million), we are relying on a favorable decision of the Supreme Court of India in respect of a writ petition filed by us and facts of the cases.

- In our appeal of the assessments of income tax, interest tax and wealth tax aggregating to Rs. 28.2 billion (US$ 634.0 million), we are relying on favorable precedents of the appellate court and expert opinions.

Of the Rs. 30.3 billion (US$ 682 million), Rs. 11.0 billion (US$ 247

million) relates to the disallowance of depreciation claim on leased assets. This is an industry-wide issue involving multiple litigations across the country. In respect of depreciation claimed by us for fiscal 1993 on two sale and lease back transactions, the Income Tax Appellate Tribunal, Mumbai held in August 2003 that these transactions were tax planning tools and no depreciation was allowable. As the Income Tax Appellate Tribunal's decision is based on the facts of two specific transactions, we believe that the Income Tax Appellate Tribunal's decision will not have an adverse tax impact on other sale and lease back transactions entered into by us. The tax impact of this decision is Rs. 189.0 million (US$ 4.2 million). After the Tribunal decision, the Supreme Court has held in another matter not involving us that tax planning is valid if within the four corners of the law. Following the decision of Supreme Court, two High Courts have held that depreciation should be allowed to the lessor on sale and lease back transactions. We have filed an appeal before the High Court against the adverse Tribunal judgment which has been admitted. Moreover, the lease agreements provide for variation in the lease rental to offset any loss of depreciation benefit to us. Accordingly, we have not provided for this tax demand but have disclosed it as a contingent liability in the financial statements.

At August 31, 2006, there were 19 litigations (each involving a claim of Rs. 10.0 million (US$ 224,820 and more) against us, in the aggregate amount of approximately Rs. 93.71 billion (US$ 2.1 billion) (to the extent quantifiable and including amounts claimed jointly and severally from us and other parties). At August 31, 2006, two litigations were pending against our directors in an aggregate amount of approximately Rs. 56.31 billion (US$ 1.3 billion) (to the

extent quantifiable). There were five litigations where amounts claimed from us are Rs. 1.00 billion (US$ 22.5 million) or higher:

- In 1999, ICICI filed a suit before the High Court of Judicature at Bombay against Mardia Chemicals Limited for recovery of amounts totaling Rs. 1.4 billion (US$ 31.5 million) due from Mardia Chemicals. The suit was subsequently transferred to the Debt Recovery Tribunal, Mumbai. In 2002, we issued a notice to Mardia Chemicals Limited under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Ordinance, 2002 (subsequently passed as an Act by the Indian Parliament) demanding payment of the outstanding dues. Subsequently, Mardia Chemicals filed a suit in the city civil court at Ahmedabad against us, Mr. K.V. Kamath, Managing Director & CEO and Ms. Lalita D. Gupte, Joint Managing Director, for an amount of Rs. 56.3 billion (US$ 1.3 billion) on the grounds that Mardia Chemicals had allegedly suffered financial losses on account of ICICI's failure to provide adequate financial facilities, ICICI's recall of the advanced amount and ICICI's filing of a recovery action against it. The city civil court held that the suit should have been filed in the pending proceedings before the Debt Recovery Tribunal, Mumbai. Mardia Chemicals filed an appeal before the High Court of Gujarat, which dismissed the appeal and ordered that the claim against us be filed before the Debt Recovery Tribunal, Mumbai and the claim against Mr. K.V. Kamath and Ms. Lalita D. Gupte be continued before the city civil court at Ahmedabad. The Debt Recovery Tribunal has admitted the counterclaim filed by Mardia Chemicals Limited.

- In 2003, the promoters of Mardia Chemicals in their capacity as guarantors of loans given by ICICI to Mardia Chemicals filed a civil suit in the city civil court at Ahmedabad against us for an amount of

Rs. 20.8 billion (US$ 467.6 million) on the grounds of loss of investment and loss of profit on investment. Pleadings under the above applications have concluded. The matter is posted for final hearing.

- In 2002, we filed a suit before the Debt Recovery Tribunal, Ahmedabad against Gujarat Telephone Cables Limited for recovery of term loans, debentures and working capital finance provided by us. We sold our exposure to Asset Reconstruction Company (India) Limited in 2004. The borrower has filed a suit in the Civil Court claiming damages of Rs. 10.02 billion (US$ 225.3 million) jointly and severally from State Bank of India, Bank of Baroda, United Western Bank, UTI Bank, Bank of India, Asset Reconstruction Company (India) Limited and us. We have filed an application for rejection of the plaint.

- In 1998, Industrial Finance Corporation India along with ICICI and Life Insurance Corporation of India filed a suit in the Debt Recovery Tribunal, Delhi against Foremost Ceramics Limited and its guarantors for recovery of amounts owed. In 2001, a guarantor for the loan filed a counter-claim for an amount of Rs. 4.50 billion (US$ 101.2 million) against all lenders who had extended financial assistance to Foremost Ceramics Limited, on various grounds including that timely disbursements were not effected. Industrial Finance Corporation of India has filed its reply, which has been adopted by Life Insurance Corporation of India and us, denying these averments and stating that the counter-claim does not deny the fact of the guarantee and that the guarantor is merely trying to escape liability. The matter is posted for further arguments.

- In 1999, ICICI filed a suit in the Debt Recovery Tribunal, Delhi against Esslon Synthetics Limited and its Managing Director (in his capacity as guarantor) for recovery of amounts totaling Rs. 169 million (US$ 3.8 million) due from Esslon Synthetics. In May 2001, the guarantor filed a counter-claim for an amount of Rs. 1.0 billion (US$ 22.5 million) against ICICI and other lenders who had extended financial assistance to Esslon Synthetics on the grounds that he had been coerced by officers of the lenders into signing an agreement between LML Limited, Esslon Synthetics and the lenders on account of which he suffered, among other things, loss of business. Esslon Synthetics Limited has filed an application to amend the counterclaim in January 2004. We have filed our reply to the application for amendment. The application has been partly heard and is listed for further arguments.

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

review of other litigations with legal counsel, management also believes that the outcome of such other matters will also not have a material adverse effect on our financial position, results of operations or cashflows.

The Reserve Bank of India has issued a show-cause notice to us for non-compliance with extant foreign exchange regulations in relation to an External Commercial Borrowing facility advanced to a customer by our Singapore

branch, on the grounds that such a facility could be provided only to companies engaged in activities classified as "real sector", while the company concerned was in the retail sector. We have submitted our response to the show-cause notice stating that we understood that "retail sector" was within the definition of "real sector". We were given a personal hearing from the Reserve Bank of India wherein we explained our earlier submissions in detail. We are awaiting further communication from the Reserve Bank of India in this regard.

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

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

SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA

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 consolidated financial statements prepared according to Indian GAAP, which varies in certain respects from US GAAP. For a reconciliation of net income and stockholders' equity to US GAAP, a description of significant differences between Indian GAAP and US GAAP and certain additional information required under US GAAP, see notes 22 and 23 to our consolidated financial statements herein. For selected financial data in accordance with US GAAP see "Selected Financial Data in accordance with US GAAP."

The following tables set forth our summary financial and operating data on a consolidated basis. The summary data for fiscal 2002 through fiscal 2006 have been derived from our consolidated financial statements. The accounting and reporting policies used in the preparation of our financial statements reflect

general industry practices and conform with Indian GAAP, including the Accounting Standards issued by the Institute of Chartered Accountants of India, guidelines issued by the Reserve Bank of India, the Insurance Regulatory and Development Authority and the National Housing Bank as applicable to relevant companies. The following discussion is based on our audited consolidated financial statements and accompanying notes prepared in accordance with Indian GAAP.

The consolidated financial statements for fiscal 2002 were audited by S.B. Billimoria & Co., Chartered Accountants, under auditing standards issued by the Institute of Chartered Accountants of India (ICAI), for fiscal 2003 jointly by N.M. Raiji & Co., Chartered Accountants and S.R. Batliboi & Co., Chartered Accountants, under auditing standards issued by ICAI and for fiscal 2004, 2005 and 2006 by S.R. Batliboi & Co., Chartered Accountants, under auditing standards issued by ICAI. The financial position as of March 31, 2005 and 2006 and the related consolidated profit and loss account and the consolidated cash flows for each of the years in the three-year period ended March 31, 2006 have also been audited by KPMG India, an independent registered public accounting firm, in accordance with the standards of the U.S. Public Company Accounting Oversight Board.

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

You should read the following data with the more detailed information contained in "Operating and Financial Review and Prospects" and our consolidated financial statements. Historical results do not necessarily predict our results in the future.

Operating Results Data

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

	Year ended March 31,				
	2002	2003	2004	2005	20
	(in millions, except per common share da				
Selected income statement data:					
Interest income(2)(3)................	Rs.21,539	Rs.96,908	Rs.93,526	Rs.98,338	Rs.1
Interest expense.....................	(15,603)	(81,268)	(71,677)	(68,044)	(1
Net interest income..................	5,936	15,640	21,849	30,294	

Non-interest income	5,791	25,239	45,530	70,976	1
Profit on sale of shares of ICICI Bank held by ICICI	-	11,911	-	-	
Total income	11,727	52,790	67,379	101,270	1
Non-interest expenses:					
Operating expenses(4)(5)	(4,126)	(18,442)	(24,149)	(32,776)	(
Direct marketing agency expenses	(136)	(1,663)	(3,091)	(5,064)	
Depreciation on leased assets	(115)	(3,167)	(2,805)	(2,975)	
Expenses pertaining to insurance business	(1,878)	(4,211)	(11,889)	(32,042)	(
Total non-interest expenses	(6,255)	(27,483)	(41,934)	(72,857)	(1
Operating profit before provisions	5,472	25,307	25,445	28,413	
Provisions and contingencies	(2,572)	(17,330)	(6,251)	(4,629)	(
Profit before tax	2,900	7,977	19,194	23,784	
Provision for tax	(315)	3,539	(3,398)	(5,684)	
Profit after tax	2,585	11,516	15,796	18,100	
Minority interest	-	4	8	423	
Net profit	2,585	11,520	15,804	18,523	
Per common share:					
Earnings per share-basic(6)	Rs.11.61	Rs.18.79	Rs.25.73	Rs.25.45	Rs
Earnings per share-diluted(7)	11.61	18.77	25.52	25.25	
Dividends per share(8)	2.00	7.50	7.50	8.50	
Book value	100.75	100.58	115.16	162.63	
Equity shares outstanding at the end of the period (in millions of equity shares)	613	613	616	737	
Weighted average equity shares outstanding - basic (in millions of equity shares)	223	613	614	728	
Weighted average equity shares outstanding - diluted (in millions of equity shares)	223	614	619	734	

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(1) Rupee amounts for fiscal 2006 have been translated into US dollars using the noon buying rate of Rs.44.48 = US$1.00 in effect on March 31, 2006.

(2) Direct marketing agency expenses incurred in connection with sourcing our automobile loans have been reduced on an upfront basis from interest income. Interest income is net of Rs.0.01 billion (US$0.2 million) for fiscal 2002, Rs.1.6 billion (US$35 million) for fiscal 2003, Rs.3.1 billion (US$69 million) for fiscal 2004, Rs.3.7 billion (US$83 million) for fiscal 2005 and Rs.5.2 billion (US$117 million) for fiscal 2006 on account of commissions paid to direct marketing agencies or associates in connection with sourcing our automobile loans.

(3) Interest income includes gains on the sell-down of loans. In February 2006, the Reserve Bank of India issued guidelines on accounting for securitization of standard assets. In accordance with these guidelines, with effect from February 1, 2006, we account for any loss arising on securitization immediately at the time of sale and the profit/premium arising on account of securitization is amortised over the life of the asset. Prior to February 1, 2006, profit arising on account of

securitization was recorded at the time of sale.

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

(5) Operating expenses for fiscal 2003 includes Rs.256 million (US$6 million) on account of amortization of expenses related to our early retirement option scheme over a period of five years as approved by the Reserve Bank of India. Operating expenses for fiscal years 2004, 2005 and 2006 includes Rs.384 million (US$9 million) in each year on account of amortization of expenses related to our early retirement option scheme over a period of five years as approved by the Reserve Bank of India.

(6) Represents net profit/(loss) before dilutive impact.

(7) Represents net profit/(loss) adjusted for full dilution. Options to purchase 7,015,800, 12,610,275, 1,098,225 and 5,000 equity shares granted to employees at a weighted average exercise price of Rs.81.3, Rs.154.7, Rs.266.6 and Rs.569.6 were outstanding in fiscal 2002, 2003, 2004 and 2006 respectively, but were not included in the computation of diluted earnings per share because the exercise price of the options was greater than the average market price of the equity shares during the period.

(8) In India, dividends for a fiscal year are normally declared and paid in the following year. The interim dividend for fiscal 2002 was paid by ICICI Bank in 2002. We declared a dividend of Rs.7.50 per equity share for each of fiscal 2003 and fiscal 2004, which was paid out in August 2003 and in September 2004, i.e., in fiscal 2004 and in fiscal 2005 respectively. We declared a dividend of Rs.8.50 per equity share for each of fiscal 2005 and fiscal 2006, which was paid out in

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August 2005 and in July 2006 respectively i.e., in fiscal 2006 and in fiscal 2007. The dividend per equity share shown above is based on the total amount of dividends declared for the year. In US dollars, the dividend was US$0.19 per equity share for fiscal 2006.

(9) Certain reclassifications have been made in the financial statements of prior years to conform to classifications used in the current year. These changes have no impact on previously reported results of operations or stockholders' equity.

The following table sets forth, for the periods indicated, selected income statement data expressed as a percentage of average total assets for the respective period.

	Year ended March 31,			
	2002	2003	2004	20
Selected income statement data:				
Interest income..............................	8.53%	9.24%	7.96%	6.

Interest expense	(6.18)	(7.75)	(6.10)	(4.
Net interest income	2.35	1.49	1.86	2.
Non-interest income	2.30	3.54(1)	3.88	4.
Total income	4.65	5.03	5.74	6.
Operating expenses	(1.64)	(1.76)	(2.06)	(2.
Direct marketing agency expenses	(0.05)	(0.16)	(0.26)	(0.
Depreciation on leased assets	(0.05)	(0.30)	(0.24)	(0.
Expenses pertaining to insurance business	(0.74)	(0.40)	(1.01)	(2.
Non-interest expenses	(2.48)	(2.62)	(3.57)	(4.
Operating profit before provisions	2.17	2.41	2.17	1.
Provisions and contingencies	(1.02)	(1.65)	(0.53)	(0.
Profit before tax	1.15	0.76	1.64	1.
Provision for tax	(0.13)	0.34	(0.29)	(0.
Profit after tax	1.02	1.10	1.35	1.
Minority interest	0.00	0.00	0.00	0.
Net profit	1.02%	1.10%	1.35%	1.

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(1) Includes profit on sale of shares of ICICI Bank held by ICICI.

	At or for the year ended March 31,				
	2002	2003	2004	2005	2006
	(in millions, except percentages)				
Selected balance sheet data:					
Total assets	Rs.1,068,171	Rs.1,094,332	Rs.1,307,476	Rs.1,784,337	Rs.2,77
Investments	372,748	377,754	462,675	546,516	84
Advances, net	479,073	539,090	649,479	964,100	1,56
Non-performing customer assets (gross)(2)	53,751	59,063	40,821	34,973	2
Total liabilities	1,004,382	1,024,110	1,226,417	1,658,095	2,54
Deposits	322,171	479,507	680,787	1,011,086	1,72
Borrowings	516,140	367,216	349,581	383,690	45
Preference share capital(3)	3,500	3,500	3,500	3,500	
Equity share capital	6,126	6,127	6,164	7,368	
Reserves and surplus	54,164	60,595	71,395	115,374	21
Period average(4)					
Total assets	252,370	1,048,825	1,174,541	1,469,378	2,16
Interest-earning assets	225,405	882,342	985,744	1,217,707	1,80
Advances, net	59,012	501,306	577,138	763,729	1,20
Total liabilities(5)	238,079	980,259	1,097,546	1,355,468	2,00
Interest-bearing liabilities	228,149	904,499	1,012,604	1,221,303	1,79
Borrowings	16,298	530,552	448,092	452,777	54
Stockholders' equity	14,291	65,066	73,495	110,410	16
Profitability:					
Net profit as a percentage of:					
Average total assets	1.02%	1.10%	1.35%	1.25%	
Average stockholder's equity	18.09	17.71	21.50	16.78	1

Dividend payout ratio(6)......	17.05	39.92	34.85	33.97	3

	At or for the year ended March 31,				
	2002	2003	2004	2005	2006
	(in millions, except percentages)				
Spread(7).....................	2.72	2.00	2.41	2.50	
Net interest margin(8)........	2.63	1.77	2.22	2.49	
Cost-to-income ratio(9).......	35.53	48.90	37.38	32.74	3

	At or for the year ended March 31,				
	2002	2003	2004	2005	2006
	(in millions, except percentages)				
Cost-to-average assets ratio(10)..................	1.63	1.76	2.06	2.23	2.20
Capital(11):					
Average stockholders' equity as a percentage of average total assets...............	5.66	6.20	6.26	7.51	7.49
Average stockholders' equity (including preference share capital) as a percentage of average total assets...............	5.66	6.54	6.56	7.75	7.65
Asset quality:					
Net restructured assets as a percentage of net customer assets.....................	7.95%	13.72%	9.00%	6.08%	3.28%
Net non-performing assets as a percentage of net customer assets............	4.61	4.86	2.78	1.95	0.67
Provision on restructured assets as a percentage of gross restructured assets..	6.85	3.71	12.15	4.56	4.16
Provision on non-performing assets as a percentage of gross non-performing assets	49.28	46.41	49.81	42.58	53.19
Provision as a percentage of gross customer assets(12)..	5.07	7.63	5.25	2.14	1.32

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(1) Rupee amounts at March 31, 2006 have been translated into US dollars using the noon buying rate of Rs.44.48 = US$1.00 in effect at March 31, 2006.

(2) Includes suspended interest and claims received from Export Credit Guarantee Corporation of India/Deposit Insurance Credit Guarantee Corporation on working capital loans.

(3) ICICI had issued preference share capital redeemable at face value after 20 years

(4) For fiscal years 2002 through 2006, the average balances are the average of quarterly balances outstanding at the end of March of the previous fiscal year and the end of June, September, December and March of that fiscal year. The averages for 2002 are based on outstanding quarterly balances of ICICI Bank Limited. ICICI Limited balances for March 2002 have not been considered.

(5) Represents the average of the quarterly balance of total liabilities and minority interest.

(6) Represents the ratio of total dividends paid on equity share capital, exclusive of dividend distribution tax, as a percentage of net income.

(7) Represents the difference between yield on average interest-earning assets and cost of average interest-bearing liabilities. Yield on average interest-earning assets is the ratio of interest income to average interest-earning assets. Cost of average interest-bearing liabilities is the ratio of interest expense to average interest-bearing liabilities.

(8) Represents the ratio of net interest income to average interest-earning assets. The difference in net interest margin and spread arises due to the difference in the amount of average interest-earning assets and average interest-bearing liabilities. If average interest-earning assets exceed average interest-bearing liabilities, net interest margin is greater than spread, and if average interest-bearing liabilities exceed average interest-earning assets, net interest margin is less than spread.

(9) Represents the ratio of non-interest expense (excluding direct marketing agency expenses, lease depreciation and expenses pertaining to insurance business) to the sum of net interest income and non-interest income (net of lease depreciation).

(10) Represents the ratio of non-interest expense (excluding direct marketing agency expenses, lease depreciation and expenses pertaining to insurance business) to average total assets.

(11) ICICI Bank's capital adequacy is computed in accordance with the Reserve Bank of India's guidelines and is based on unconsolidated financial statements prepared in accordance with Indian GAAP. At March 31, 2006, ICICI Bank's total capital adequacy ratio was 13.35% with a Tier 1 capital adequacy ratio of 9.20% and a Tier 2 capital adequacy ratio of 4.15%.

(12) Includes general provision on standard assets.

Selected Financial Data in accordance with US GAAP

The following table sets forth, certain selected financial data under generally accepted accounting principles adopted in the United States.

At or for the year ended March 31,

	2002	2003	2004	2005	
			(in millions)		
Net income/(loss)................	Rs.1,547	Rs.(7,983)	Rs.5,219	Rs.8,530	Rs
Total assets......................	743,362	1,180,263	1,409,131	1,863,447	2,
Stockholders' equity.............	71,348	92,313	94,525	127,996	
Other comprehensive income	(832)	2,977	4,741	3,289	
Per equity share(2)					
Net income/(loss) from continuing operation-basic(3).	3.94	(14.18)	8.50	11.72	
58Net income/(loss) from continuing operation-diluted(4)..........	3.94	(14.18)	8.43	11.60	
Dividend(5)......................	Rs.22.00	Rs.-	Rs.7.50	Rs.7.50	

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(1) Rupee amounts for fiscal 2006 have been translated into US dollars using the noon buying rate of Rs.44.48 = US$1.00 in effect on March 31, 2006.

(2) The stockholders of ICICI were issued shares of ICICI Bank at an exchange ratio of 1:2. The number of shares for fiscal year 2002 has been adjusted by dividing by two and is different from the number reported in the annual report on Form 20-F for fiscal 2002.

(3) Represents net income/(loss) before dilutive impact.

(4) Represents net income/(loss) adjusted for full dilution. Options to purchase 7,015,800, 12,610,275, 1,098,225 and 5,000 equity shares granted to employees at a weighted average exercise price of Rs.81.3, Rs.154.7, Rs.266.6 and Rs.569.6 were outstanding in fiscal 2002, 2003, 2004 and 2006 respectively, but were not included in the computation of diluted earnings per share because the exercise price of the options was greater than the average market price of the equity shares during the period. In fiscal 2003, we reported a net loss and accordingly all outstanding options at year-end fiscal 2003 are anti-dilutive.

(5) In India, dividends for a fiscal year are normally declared and paid in the following year. The interim dividend for fiscal 2002 was paid by ICICI during fiscal 2002. We declared a dividend of Rs.7.50 per equity share for each of fiscal 2003 and fiscal 2004, which was paid out in August 2003 and in September 2004, i.e., in fiscal 2004 and in fiscal 2005 respectively. We declared a dividend of Rs.8.50 per equity share for each of fiscal 2005 and fiscal 2006, which was paid out in August 2005 and in July 2006 respectively i.e., in fiscal 2006 and in fiscal 2007 respectively. The dividend per equity share shown above is based on the total amount of dividends paid out on the equity shares during the year, exclusive of dividend tax. In US dollars, the dividend was US$0.19 per equity share for fiscal 2006.

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OPERATING AND FINANCIAL REVIEW AND PROSPECTS

You should read the following discussion and analysis of our financial condition and results of operations together with our audited consolidated financial statements. The following discussion is based on our audited consolidated financial statements and accompanying notes prepared in accordance with Indian GAAP, which varies in certain significant respects from US GAAP.

For a reconciliation of net income and stockholders' equity to US GAAP, a description of significant differences between Indian GAAP and US GAAP and certain additional information required under US GAAP, see notes 22 and 23 to our consolidated financial statements included herein.

Introduction

Our loan portfolio, financial condition and results of operations have been, and in the future, are expected to be influenced by economic conditions in India and certain global developments, particularly in commodity prices relating to the business activities of our corporate customers and by economic conditions in the United States and other countries influencing inflation and interest rates in India. For ease of understanding the discussion of our results of operations that follows, you should consider the introductory discussion of these macroeconomic factors, the description of certain major events affecting our results and financial condition and other key factors.

Indian Economy

The rate of growth of India's gross domestic product, or GDP, was 8.5% in fiscal 2004, 7.5% in fiscal 2005 and 8.4% in fiscal 2006. The agricultural sector grew by 10.0% in fiscal 2004. In fiscal 2005, the growth of the agricultural sector declined to 0.7% because of insufficient rainfall in many parts of the country. However, agricultural growth recovered to 3.9% in fiscal 2006 due to normal monsoons. The industrial sector grew by 6.6% in fiscal 2004, 7.4% in fiscal 2005 and 7.6% in fiscal 2006. The services sector grew by 8.5% in fiscal 2004, 10.2% in fiscal 2005 and 10.3% in fiscal 2006.

The growth trends were accompanied by continued macro-economic stability, despite a sharp increase in global oil prices, concerns over global imbalances and rising interest rates globally and in India. During the first half of fiscal 2005, there was an increase in inflationary trends in India, primarily due to the increase in oil prices as well as prices of certain commodities. The full burden of the oil price increase has not yet been passed on to Indian consumers and has been substantially absorbed by the government and government-owned oil marketing companies. See also "Risk Factors -- Risks Relating to India -- A significant increase in the price of crude oil could adversely affect the Indian economy, which could adversely affect our business". The average annual rate of inflation as measured by the Wholesale Price Index was 6.4% for fiscal 2005 and declined to 4.5% for fiscal 2006 remaining at comfortable levels largely due to policy interventions. The rate of inflation was 4.9% in fiscal 2007 (through August 19, 2006), the same as in the corresponding period in the previous year. The Indian rupee depreciated by 2.0% against the US dollar in fiscal 2006 from Rs. 43.62 per US$ 1.00 at year-end fiscal 2005 to Rs. 44.48 per US $1.00 at year-end fiscal 2006. It depreciated by 3.0% against the US dollar in fiscal 2007 (through September 20, 2006) moving from Rs. 44.48 per US$ 1.00 to Rs. 45.83 per US$ 1.00. It also depreciated against the pound sterling and the euro but appreciated against the Japanese yen. India's foreign exchange reserves were US$ 165.33 billion at August 25, 2006.

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

Banking Sector

According to the Reserve Bank of India's data, total deposits of all scheduled commercial banks increased by 17.8% in fiscal 2004, 13.9% in fiscal 2005 and 17.6% in fiscal 2006. In the first quarter of fiscal 2007 deposits grew

by 14.0% on an annualized basis and 21.7% on a year-on-year basis. Bank credit of scheduled commercial banks grew by 15.3% in fiscal 2004, 30.9% in fiscal 2005 and 30.8% in fiscal 2006. In the first quarter of fiscal 2007 bank credit grew by 10.0% on an annualized basis and by 33.1% on a year-on-year basis. The increase in credit growth in fiscal 2005 was driven by the continued growth in retail credit as well as credit to the industrial and agricultural sectors. Further, Industrial Development Bank of India Limited's credit was included in total banking sector credit at

year-end fiscal 2005 after its conversion into a scheduled commercial bank with effect from October 11, 2004. Excluding Industrial Development Bank of India Limited's credit, bank credit of scheduled commercial banks grew at 27.0% in fiscal 2005. In fiscal 2006 growth in credit was driven by demand from the industrial and agricultural sectors and continued robust credit flow to the retail segment.

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

Fiscal year	Bank rate	Reverse repo rate	Average prime lending rate (range)
2001................................	7.00%	7.00%	11.00-12.00%
2002................................	6.50	6.00	11.00-12.00
2003................................	6.25	5.00	10.75-12.00
2004................................	6.00	4.50	10.50-11.50
2005................................	6.00	4.75	10.25-11.00
2006................................	6.00	5.50	10.25-10.75
2007 (through September 1, 2006)......	6.00	6.00	10.25-10.75

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

Major Events Affecting Results and Financial Condition

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

interest rates could adversely affect our net interest margin, the value of our fixed income portfolio, our income from treasury operations, the quality of our loan portfolio and our financial performance."

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

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

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

Fifth, since the amalgamation, our subsidiaries engaged in the insurance business, ICICI Prudential life Insurance Company Limited and ICICI Lombard General Insurance Company Limited , have experienced rapid growth in business. We have invested in the equity capital of our insurance subsidiaries to support their growth. Our life insurance subsidiary continues to report losses in its financial statements, which are reflected in our consolidated financial statements.

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

Other key factors

Under Indian GAAP, we have not consolidated certain entities (primarily 3i Infotech Limited and ICICI OneSource Limited) in which control is intended to be temporary. However under US GAAP, these entities would have been consolidated as SFAS No. 94 on "Consolidation of majority owned subsidiaries" requires consolidation of such entities. See also "Business-Subsidiaries and Joint Ventures."

For fiscal 2004, ICICI Prudential Life Insurance Company Limited and ICICI Lombard General Insurance Company Limited have been accounted as joint ventures using the proportionate consolidation method as prescribed by Accounting Standard 27 (AS 27) on "Financial Reporting of Interests in Joint Ventures". Therefore, our consolidated financial statements include only a 74% share (i.e., ICICI Bank's share in each of the two joint ventures) of each line item reflected in the financial statements of these two entities for fiscal 2004. From fiscal 2005 onwards, these two entities have been accounted as per the principles of Accounting Standard 21 (AS 21) on "Consolidated Financial Statements", as required by the revision in AS 27. Therefore, from fiscal 2005 our consolidated financial statements include 100% of each line item reflected in the financial statements of these two entities with a separate disclosure for minority interest. Hence, the income statement and balance sheet for fiscal 2005 and fiscal 2006 are not comparable with the income statement and balance sheet for fiscal 2004 and prior years with respect to the incorporation of the income statement and balance sheet of our insurance subsidiaries in our financial statements.

Effect of Other Acquisitions

In fiscal 2004, we acquired 100.0% ownership interest in Transamerica Apple Distribution Finance Private Limited for a cash consideration of Rs.757 million (US$17 million). In fiscal 2006, we acquired 100.0% ownership interest in Investitsionno-Kreditny Bank, a Russian bank with total assets of approximately US$4 million at year-end fiscal 2005. The values of these transactions were not material to our overall operations. During fiscal 2006 we

also acquired an additional stake of 6% in Prudential ICICI Asset Management Company Limited as well as Prudential ICICI Trust Limited. Subsequent to these

acquisitions both companies have become our subsidiaries.

Average Balance Sheet

The average balances for a fiscal year are the average of quarterly balances outstanding at the end of March of the previous fiscal year and June, September, December and March of that year. The average yield on average interest-earning assets is the ratio of interest income to average interest-earning assets. The average cost of average interest-bearing liabilities is the ratio of interest expense to average interest-bearing liabilities. The average balances of advances include non-performing advances and are net of allowance for loan losses. We have not recalculated tax-exempt income on a tax-equivalent basis because we believed that the effect of doing so would not be significant.

The following table sets forth, for the periods indicated, the average balances of the assets and liabilities outstanding, which are major components of interest income, interest expense and net interest income.

	Year ended March 31,						
	2004			2005			
	Average balance	Interest income/ expense	Average yield/ cost	Average balance	Interest income/ expense	Average yield/ cost	Average balance
	(in millions, except percentages)						
Assets:							
Advances:							
Rupee............	Rs.486,630	Rs.57,540	11.82%	Rs.646,108	Rs.63,007	9.75%	Rs.1,008,15
Foreign currency..	90,508	4,448	4.91	117,621	6,804	5.78	192,16
Total advances.....	577,138	61,988	10.74	763,729	69,811	9.14	1,200,31
Investments:							
Rupee............	357,842	27,535	7.69	371,713	23,468	6.31	474,39
Foreign currency..	109	3	2.75	10,689	454	4.25	39,49
Total investments..	357,951	27,538	7.69	382,402	23,922	6.26	513,89
Balances with Reserve Bank of Indiaand other banks:							
Rupee............	41,555	2,027	4.88	47,329	1,853	3.92	48,71
Foreign currency..	9,100	167	1.84	24,247	482	1.99	43,67
Total balances with Reserve Bank of India and other banks...........	50,655	2,194	4.33	71,576	2,335	3.26	92,39
Other interest income		1,806			2,270		
Interest-earning assets:							
Rupee............	886,027	88,908	10.03	1,065,150	90,598	8.51	1,531,26
Foreign currency..	99,717	4,618	4.63	152,557	7,740	5.07	275,34
Total interest-earning assets..........	985,744	93,526	9.49	1,217,707	98,338	8.08	1,806,60

Fixed assets.......	41,009		40,786			41,49
Other assets.......	147,788		210,885			318,80
Total non-earning assets..........	188,797		251,671			360,29
Total assets.......	Rs.1,174,541	Rs.93,526	Rs.1,469,378	Rs.98,338		Rs.2,166,89

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	Year ended March 31,						
	2004			2005			
	Average balance	Interest income/ expense	Average yield/ Cost	Average balance	Interest income/ Expense	Average yield/ Cost	Average Balance
	(in millions, except percentages)						
Liabilities:							
Savings account deposits:							
Rupee.............	Rs.56,840	Rs.1,348	2.37%	Rs.97,097	Rs.2,179	2.24%	Rs.157,037
Foreign currency .	76	3	3.95	1,014	25	2.47	14,621
Total savings account deposits	56,916	1,351	2.37	98,111	2,204	2.25	171,658
Time deposits:							
Rupee.............	438,982	28,420	6.47	540,056	29,153	5.40	846,963
Foreign currency .	14,682	424	2.89	43,276	1,266	2.93	93,309
Total time deposits	453,664	28,844	6.36	583,332	30,419	5.21	940,272
Other demand deposits.........							
Rupee.............	53,783			84,360			138,357
Foreign currency .	149			2,722			4,492
Total other demand deposits.........	53,932			87,082			142,849
Borrowings:							
Rupee.............	375,602	39,130	10.42	340,811	31,396	9.21	349,907
Foreign currency .	72,490	2,352	3.24	111,966	4,025	3.59	190,558
Total borrowings ...	448,092	41,482	9.26	452,777	35,421	7.82	540,465
Interest-bearing liabilities:							
Rupee.............	925,207	68,898	7.45	1,062,324	62,728	5.90	1,492,264
Foreign currency .	87,397	2,779	3.18	158,978	5,316	3.34	302,980
Total interest-bearing Liabilities......	1,012,604	71,677	7.08	1,221,302	68,044	5.57	1,795,244
Other liabilities ..	84,942			134,166			205,933

Total liabilities ..	1,097,546	71,677	1,355,468	68,044	2,001,177
Preference share capital..........	3,500		3,500		3,500
Stockholders' equity...........	73,495		110,410		162,220
Total liabilities and stockholders' equity	Rs.1,174,541	Rs.71,677	Rs.1,469,378	Rs.68,044	Rs.2,166,897

Analysis of changes in interest income and interest expense volume and rate analysis

The following table sets forth, for the periods indicated, the changes in the components of net interest income. The changes in net interest income between periods have been reflected as attributed either to volume or rate changes. For the purpose of this table, changes, which are due to both volume and rate, have been allocated solely to volume.

	Fiscal 2005 vs. Fiscal 2004			Fiscal 2006 vs. F	
	Increase (decrease) due to			Increase (decreas	
	Net change	Change in average volume	Change in average rate	Net change	Change i average volume
			(in millions)		
Interest income:					
Advances:					
Rupee.......................	Rs.5,467	Rs.15,552	Rs.(10,085)	Rs.27,317	Rs.32,4
Foreign currency............	2,356	1,568	788	4,013	4,1
Total advances,.............	7,823	17,120	(9,297)	31,330	36,6
Investments:					
Rupee.......................	(4,067)	876	(4,943)	15,086	8,3

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	Fiscal 2005 vs. Fiscal 2004			Fiscal 2006 vs. F	
	Increase (decrease) due to			Increase (decreas	
	Net change	Change in average volume	Change in average rate	Net change	Change averag volume
			(in millions)		
Foreign currency............	451	449	2	1,600	1,4

Total investments............	(3,616)	1,325	(4,941)	16,686	9,8
Balances with Reserve Bank of India and other banks:					
Rupee.......................	(174)	226	(400)	(375)	
Foreign currency............	315	301	14	1,474	8
Total balances with Reserve Bank of India and other banks	141	527	(386)	1,099	9
Other interest income	464		464	(1,311)	
Total interest income:					
Rupee.......................	1,690	16,654	(14,964)	40,717	40,8
Foreign currency............	3,122	2,318	804	7,087	6,5
Total interest income........	4,812	18,972	(14,160)	47,804	47,3
Interest expense:					
Savings account deposits:					
Rupee.......................	831	903	(72)	1,767	1,5
Foreign currency............	22	23	(1)	549	5
Total savings account deposits	853	926	(73)	2,316	2,0
Time deposits:					
Rupee.......................	733	5,456	(4,723)	22,192	18,6
Foreign currency............	842	836	6	2,460	1,9
Total time deposits..........	1,575	6,292	(4,717)	24,652	20,6
Borrowings:					
Rupee.......................	(7,734)	(3,205)	(4,529)	1,483	8
Foreign currency	1,673	1,419	254	4,520	3,5
Total borrowings.............	(6,061)	(1,786)	(4,275)	6,003	4,3
Total interest expense:					
Rupee.......................	(6,170)	3,154	(9,324)	25,442	20,9
Foreign currency	2,537	2,278	259	7,529	6,0
Total interest expense.......	Rs.(3,633)	Rs.5,432	Rs.(9,065)	32,971	27,0
Net interest income:					
Rupee.......................	7,860	13,500	(5,640)	15,275	19,8
Foreign currency............	585	40	545	(442)	5
Total net interest income....	Rs.8,445	Rs.13,540	Rs.(5,095)	Rs.14,833	Rs.20,3

Yields, Spreads and Margins

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

	Year ended March 31,			
	2002	2003	2004	2005
	(in millions, except percentages)			
Interest income.........................	Rs.21,539	Rs.96,908	Rs.93,526	Rs.98,338

Average interest-earning assets(1).......	225,405	882,342	985,744	1,217,707
Interest expense.........................	15,603	81,268	71,676	68,044
Average interest-bearing liabilities(1)..	228,149	904,099	1,012,604	1,221,302
Average total assets(1)..................	252,370	10,48,825	1,174,541	1,469,378
Average interest-earning assets as a percentage of average total assets....	89.32%	84.13%	83.93%	82.87%
Average interest-bearing liabilities as a percentage of average total assets..	90.40	86.24	86.21	83.12
Average interest-earning assets as a percentage of average interest-bearing liabilities..........	98.80	97.55	97.35	99.71

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	Year ended March 31,			
	2002	2003	2004	2005
	(in millions, except percentages)			
Yield...................................	9.56	10.98	9.49	8.08
Rupee..................................	9.92	11.48	10.03	8.51
Foreign currency.......................	3.40	4.80	4.63	5.07
Cost of funds...........................	6.84	8.98	7.08	5.57
Rupee..................................	6.97	9.75	7.45	5.90
Foreign currency.......................	4.07	3.14	3.18	3.34
Spread(2)...............................	2.72	2.00	2.41	2.50
Rupee..................................	2.95	1.73	2.59	2.60
Foreign currency.......................	(0.67)	1.66	1.45	1.73
Net interest margin(3)..................	2.63	1.77	2.22	2.49
Rupee..................................	2.66	1.56	2.26	2.62
Foreign currency.......................	0.77	1.38	1.85	1.59

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(1) The averages for 2002 are based on outstanding quarterly balances of ICICI Bank Limited. ICICI Limited balances for March 2002 have not been considered.

(2) Spread is the difference between yield on average interest-earning assets and cost of average interest-bearing liabilities. Yield on average interest-earning assets is the ratio of interest income to average interest-earning assets. Cost of average interest-bearing liabilities is the ratio of interest expense to average interest-bearing liabilities.

(3) Net interest margin is the ratio of net interest income to average interest-earning assets. The difference in net interest margin and spread arises due to the difference in amount of average interest-earning assets and average interest-bearing liabilities. If average interest-earning assets exceed average interest-bearing liabilities, net interest margin is greater than the spread and if average interest-bearing liabilities exceed average interest-earning assets, net interest margin is less than the spread.

Fiscal 2006 to Fiscal 2005

Summary

Net profit increased by 30.7% to Rs.24.2 billion (US$544 million) for fiscal 2006 from Rs.18.5 billion (US$416 million) for fiscal 2005, primarily due to a 49.0% increase in net interest income and a 57.1 % increase in non-interest income offset, in part, by a 49.8% increase in non-interest expenses and a Rs.11.9 billion (US$266 million) increase in provisions and contingencies.

- Net interest income increased by 49.0% to Rs.45.1 billion (US$1.0 billion) for fiscal 2006 from Rs.30.3 billion (US$681 million) for fiscal 2005, reflecting an increase of 48.4% in the average volume of interest-earning assets.

- Non-interest income increased by 57.1% to Rs.111.5 billion (US$2.5 billion) for fiscal 2006 from Rs.71.0 billion (US$1.6 billion) for fiscal 2005 primarily due to a 56.8% increase in commission, exchange and brokerage and a 67.9% increase in income from insurance business.

- Non-interest expense increased by 49.8% to Rs.109.1 billion (US$2.5 billion) for fiscal 2006 from Rs.72.9 billion (US$1.6 billion) in fiscal 2005 primarily due to an increase of 56.9% in employee expenses and a 62.4% increase in expenses pertaining to the insurance business.

- Provisions and contingencies (excluding provisions for tax) increased to Rs.16.5 billion (US$370 million) in fiscal 2006 from Rs.4.6 billion (US$104 million) in fiscal 2005 primarily due to the significantly higher level of amortization of premium on government securities in fiscal 2006, lower level of write-backs in fiscal 2006 and higher level of provisioning on standard assets in fiscal 2006 as per the Reserve Bank of India guidelines.

- Gross restructured loans decreased by 15.5% to Rs.55.5 billion (US$1.2 billion) at year-end fiscal 2006 from Rs.65.6 billion (US$1.5 billion) at year-end fiscal 2005 primarily due to the reclassification of certain loans as standard based on satisfactory performance of the borrower accounts. Gross non-performing assets decreased by 34.0% to Rs.23.1 billion (US$519 million) at year-end fiscal 2006 from Rs.35.0 billion

(US$786 million) at year-end fiscal 2005 primarily due to sale and repayments of certain non-performing loans.

- Total assets increased by 55.4% to Rs.2,772.3 billion (US$62.3 billion) at year-end fiscal 2006 compared to Rs.1,784.3 billion (US$40.1 billion) at year-end fiscal 2005 primarily due to an increase in retail loans and investments in government securities.

Net Interest Income

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

Year ended March 31,

	2005	2006	2006
	(in millions, except percentages)		
Interest income....................	Rs.98,338	Rs.146,142	US$3,286
Interest expense...................	(68,044)	(101,015)	(2,271)
Net interest income................	Rs.30,294	Rs. 45,127	US$1,015

Net interest income increased by 49.0% to Rs.45.1 billion (US$1.0 billion) in fiscal 2006 from Rs.30.3 billion (US$681 million) in fiscal 2005 reflecting mainly the following:

- an increase of Rs.588.9 billion (US$13.2 billion) or 48.4% in the average volume of interest-earning assets; and
- a marginal increase of 1 basis point in the net interest margin.

The average volume of interest-earning assets increased by 48.4% or Rs.588.9 billion (US$13.2 billion) to Rs.1,806.6 billion (US$40.6 billion) during fiscal 2006 from Rs.1,217.7 billion (US$27.4 billion) during fiscal 2005, primarily due to the increase in average advances. Average advances increased by 57.2% to Rs.1,200.3 billion (US$27.0 billion) in fiscal 2006 from Rs.763.7 billion (US$17.2 billion) in fiscal 2005. This increase in average advances was primarily due to increased disbursements of retail finance loans offset, in part, by the sell-down/securitization and repayments of loans. The average volume of interest-earning foreign currency assets increased by 80.5% to Rs.275.3 billion (US$6.2 billion) during fiscal 2006 from Rs.152.6 billion (US$3.4 billion) during fiscal 2005 primarily due to increased business volumes of our international branches and subsidiaries.

Total interest income increased by 48.6% to Rs.146.1 billion (US$3.3 billion) for fiscal 2006 from Rs.98.3 billion (US$2.2 billion) for fiscal 2005 primarily due to an increase of 48.4% in the average volume of total interest-earning assets to Rs.1,806.6 billion (US$40. 6 billion) during fiscal 2006 from Rs.1,217.7 billion (US$27.4 billion) during fiscal 2005. The overall yield on average interest earning assets remained at nearly the same levels given that the decline in yield on advances to 8.4% for fiscal 2006 from 9.1% for fiscal 2005 was offset by the increase in yield on investments to 7.9% for fiscal 2006 from 6.3% for fiscal 2005.

In February 2006, the Reserve Bank of India issued guidelines on accounting for securitization of standard assets. In accordance with these guidelines, with effect from February 1, 2006, we account for any loss on securitization immediately at the time of sale and the profit/premium arising on account of securitization is amortized over the life of the asset. Prior to February 1, 2006, profit arising on account of securitization was recorded at the time of sale. The gains on sell down were about 10.1% of net interest income for fiscal 2006 (0.3% of average interest-earning assets) compared to 17.2 % of net interest income for fiscal 2005 (0.4% of average interest-earning assets).

Total interest expense increased by 48.5% to Rs.101.0 billion (US$2.3 billion) during fiscal 2006 from Rs.68.0 billion (US$1.5 billion) during fiscal 2005 primarily due to an increase of 47.0% in average interest-bearing liabilities to Rs.1,795.2 billion (US$40.4 billion) in fiscal 2006 from Rs.1,221.3 billion (US$27.5 billion) in fiscal 2005. Average deposits, with an average cost of 4.8% for fiscal 2006, constituted 69.9% of total average interest-bearing liabilities compared to 62.9% of the total average

interest-bearing liabilities with a cost of 4.2% for fiscal 2005. The increase in average cost of deposits in fiscal 2006 was primarily due to the general increase in interest rates reflecting the tight liquidity scenario in the last quarter of fiscal 2006. The average cost of total borrowings

including subordinated debt decreased to 7.7% in fiscal 2006 from 7.8% in fiscal 2005 primarily due to increase in foreign currency borrowings and repayment of high cost borrowings of ICICI.

Our net interest margin was 2.50% for fiscal 2006 as compared to 2.49% for fiscal 2005 as the positive impact of equity capital raising in fiscal 2006 was offset by increased cost of deposits and a lower contribution of securitization gains.

Our margin still continues to be lower than that of other banks in India primarily due to maintenance of the statutory liquidity ratio and cash reserve ratio on ICICI's liabilities, which were not subject to these ratios prior to the amalgamation. Our net interest margin is expected to continue to be lower than other banks in India until we repay the borrowings of ICICI. The net interest margin is also impacted by the relatively lower net interest margin earned by our overseas branches, which is offset by the higher fee income that we are able to earn by leveraging our international presence and our ability to meet the foreign currency borrowing requirements of the Indian companies.

Non-Interest Income

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

	Year ended March 31,		
	2005	2006	2006
	(in millions, except percentages		
Commission, exchange and brokerage	Rs.20,751	Rs.32,546	US$732
Profit/(loss) on sale of investments (net)	7,560	10,989	247
Profit/(loss) on revaluation of investments (net)	146	(504)	(11)
Profit/(loss) on sale of land, buildings and other assets (net)	(9)	52	1
Profit/(loss) on foreign exchange transactions (net)	2,781	4,452	100
Income pertaining to insurance business	35,355	59,353	1,334
Miscellaneous income (including lease income)	4,392	4,581	102
Total other income	Rs.70,976	Rs.111,469	US$2,505

Non-interest income increased by 57.1% for fiscal 2006 to Rs.111.5 billion (US$2.5 billion) from Rs.71.0 billion (US$1.6 billion) for fiscal 2005 primarily due to a 56.8% increase in commission, exchange and brokerage to Rs.32.5 billion

(US$732 million) in fiscal 2006 from Rs.20.8 billion (US$467 million) in fiscal 2005 and a 67.9% increase in income pertaining to insurance business to Rs.59.4 billion (US$1.3 billion) in fiscal 2006 from Rs.35.4 billion (US$795 million) in fiscal 2005.

Commission, exchange and brokerage increased by 56.8% primarily due to growth in credit card fees and third-party product fees, increase in income from remittances and other fees from international banking business and growth in corporate banking fees.

Profit on sale of investments increased by 45.3% to Rs.11.0 billion (US$247 million) in fiscal 2006 from Rs.7.6 billion (US$170 million) as we continued to capitalize on the opportunities created by the buoyant equity market through divestment of certain of our non-core investments and through proprietary trading operations. Income from foreign exchange transaction includes income from derivatives reflecting primarily the transactions undertaken with customers by us and hedged or in the inter-bank market, and income from merchant foreign exchange transactions.

Income pertaining to insurance business representing primarily premium income on our life and general insurance products increased by 67.9% to Rs.59.4 billion (US$1.3 billion) from Rs.35.4 billion (US$795 million) reflecting primarily an increase in the number of policies issued. The income pertaining to insurance business includes Rs.43.8 billion (US$985 million) from our life insurance business and Rs.15.5 billion (US$349 million) from our general insurance business. We recognize life insurance premium as income when due. Premium on lapsed policies is recognized as income when such policies are reinstated. General insurance premium is recognized as income over the period of risks or the contract period. Any subsequent revision to premium is recognized over the remaining period of risks or contract period.

Miscellaneous income increased by 4.3% to Rs.4.6 billion (US$102 million) in fiscal 2006 from Rs.4.4 billion (US$99 million) in fiscal 2005. Miscellaneous income includes unrealized gain/loss on certain derivative transactions.

Non-Interest Expense

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

	Year ended March 31,		
	2005	2006	2006
	(in millions, except percentages)		
Payments to and provisions for employees	Rs.10,908	Rs.17,112	US$385
Depreciation on own property............	3,283	3,908	88
Auditor's fees and expenses.............	36	43	1
Other administrative expenses...........	18,549	26,563	597
Operating expenses......................	32,776	47,626	1,071
Direct marketing agency expenses........	5,064	6,696	151
Depreciation on leased assets...........	2,975	2,771	62
Expenses pertaining to insurance business............................	32,042	52,038	1,170

Total non-interest expenses............	Rs.72,857	Rs.109,131	US$2,454

Non-interest expense increased by 49.8% to Rs.109.1 billion (US$2.5 billion) in fiscal 2006 from Rs.72.9 billion (US$1.6 billion) in fiscal 2005 primarily due to an increase in employee expenses and increase in the expenses pertaining to the insurance business.

Employee expenses increased by 56.9% to Rs.17.1 billion (US$385 million) in fiscal 2006 from Rs.10.9 billion (US$245 million) in fiscal 2005, primarily due to an increase in the number of employees. The employee expenses for ICICI Bank Limited increased by 46.8% to Rs.10.8 billion (US$243 million) in fiscal 2006 from Rs.7.4 billion (US$166 million) in fiscal 2005 primarily due to a 40.8% increase in the number of employees. The employee expenses for ICICI Prudential Life Insurance Company increased by 71.8% to Rs.2.9 billion (US$65 million) in fiscal 2006 from Rs.1.7 billion (US$38 million) in fiscal 2005 primarily due to a 48.7% increase in number of employees. The employee expenses for ICICI Lombard General Insurance Company increased by 61.7% to Rs.1.2 billion (US$27 million) in fiscal 2006 from Rs.745 million (US$17 million) in fiscal 2005 primarily due to a 82.8% increase in number of employees. The increase in employees was commensurate with the growth in business.

Other administrative expenses increased by 43.2% to Rs.26.6 billion (US$597 million) in fiscal 2006 from Rs.18.6 billion (US$417 million) in fiscal 2005 primarily due to the increased volume of business, particularly in retail business and include maintenance of ATMs, credit card related expenses, call center expenses and technology expenses. The number of bank branches (excluding foreign branches) and extension counters increased to 614 at year-end fiscal 2006 from 562 at year-end fiscal 2005. The number of ATMs increased to 2,200 at year-end fiscal 2006 from 1,910 at year-end fiscal 2005. The number of branches and offices of our insurance subsidiaries increased to 463 at year-end fiscal 2006 from 277 at year-end fiscal 2005.

Direct marketing agency expenses increased by 32.2% to Rs.6.7 billion (US$151 million) in fiscal 2006 from Rs.5.1 billion (US$114 million) in fiscal 2005 in line with the growth in our retail credit business. We use marketing agents, called direct marketing agents or associates, for sourcing retail assets. These commissions are expensed upfront and not amortized over the life of the loan. We reduce direct marketing agency expenses incurred in connection with sourcing our automobile loans on an upfront basis from interest income.

Expenses pertaining to insurance business, representing provisions for claims, contribution to linked business, commissions paid and reserving for actuarial liability increased by 62.4% to Rs 52.0 billion (US$1.1 billion) in fiscal 2006 from Rs. 32.0 billion (US$720 million) in view of the higher business levels in fiscal 2006. The provisions for claims are determined based on actuarial valuation. In line with accounting norms for insurance companies we do not amortize the customer acquisition cost, but account for the expenses upfront.

Provisions for Non-performing Assets and Restructured Loans

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

	At March 31,		
	2005	2006	2006
		(in millions, except percentages)	
Gross restructured loans....................	Rs. 65,623	Rs. 55,463	US$ 1,247
Provisions for restructured loans...........	(2,991)	(2,305)	(52)
Net restructured loans.....................	62,632	53,158	1195
Gross non-performing assets................	34,973	23,086	519
Provisions for non-performing assets(1).....	(14,890)	(12,280)	(276)
Net non-performing assets..................	20,083	10,806	243
Gross restructured loans and non-performing assets.................................	100,596	78,548	1766
Provision for restructured loans and non-performing assets(2).................	(17,881)	(14,584)	(328)
Net restructured loans and non-performing assets.................................	82,715	63,964	1,438
Gross customer assets......................	1,049,431	1,638,552	36,838
Net customer assets........................	1,029,299	1,622,675	36,481
Gross restructured loans as a percentage of gross customer assets...................	6.25%	3.38%	
Gross non-performing assets as a percentage of gross customer assets................	3.33	1.41	
Net restructured loans as a percentage of net customer assets	6.08	3.28	
Net non-performing assets as a percentage of net customer assets..................	1.95	0.67	
Provisions on restructured loans as a percentage of gross restructured assets..	4.56	4.16	
Provisions on non-performing assets as a percentage of gross non-performing assets	42.58	53.19	
Provisions as a percentage of gross customer assets(3)......................	2.14	1.32	

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(1) Includes interest suspense.

(2) Excludes technical write-offs.

(3) Includes general provision on performing assets.

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

Gross restructured loans decreased by 15.5% to Rs.55.5 billion (US$1.2 billion) at year-end fiscal 2006 from Rs.65.6 billion (US$1.5 billion) at year-end fiscal 2005 primarily due to the reclassification of certain loans as standard based on satisfactory performance of the borrower accounts. Gross non-performing assets decreased by 34.0% to Rs.23.1 billion (US$519 million) at year-end fiscal 2006 from Rs.35.0 billion (US$786 million) at year-end fiscal 2005 primarily due to sale and repayment of non-performing assets. We sold a gross aggregate value of assets amounting to Rs.6.2 billion (US$139 million) to an asset reconstruction company during fiscal 2006 and a gross outstanding amount of Rs.14.4 billion (US$323 million) to other entities. As a percentage of net customer assets, net restructured loans were 3.3% at year-end fiscal 2006 and 6.1% at year-end fiscal 2005 and net non-performing assets were 0.67% at year-end fiscal 2006 and 1.95% at year-end fiscal 2005.

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

	Year ended March 31,		
	2005	2006	2006
	(in millions, except perce		
Provisions for investments (including credit substitutes)(net)................................	Rs. 5,433	Rs. 8,156	US$
Provision for non-performing assets and for standard assets(1)..	(890)	8,117	
Others..	86	204	
Total provisions and contingencies (excluding tax)...	Rs. 4,629	Rs. 16,477	US$

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

Provisions are made on sub-standard and doubtful assets at rates prescribed by Reserve Bank of India. Loss assets and unsecured portion of doubtful assets are provided/written off as per the extant Reserve Bank of India guidelines. The Bank also makes additional floating provisions against retail non-performing assets and additional provisions against specified corporate non-performing assets. See "Business - Classification of Loans."

Provisions and contingencies (excluding provisions for tax) increased to Rs.16.5 billion (US$370 million) in fiscal 2006 from Rs.4.6 billion (US$104 million) in fiscal 2005 primarily due to the significantly higher level of amortization of premium on government securities of Rs.8.0 billion (US$175 million) in fiscal 2006, compared to Rs.2.8 billion (US$60 million) in fiscal 2005. The increase in premium on government securities was primarily due to an

increase in the investments in government securities and transfer of a substantial portion of the investments in government securities from "available for sale" to "held to maturity category" in the second half of fiscal 2005. Provisions on non-performing and standard assets increased by Rs.9.0 billion (US$202 million) to Rs.8.1 billion (US$182 million) in fiscal 2006 primarily due to the lower level of write-backs and higher level of general provisions on standard assets. With effect from the quarter ended December 31, 2005, the Reserve Bank of India increased the requirement of general provisioning on standard advances (excluding advances to the agricultural sector and small and medium enterprises) to 0.40% compared to 0.25% applicable until September 30, 2005. In accordance with the Reserve Bank of India's guidelines we made general provisions of Rs. 3.4 billion (US$76 million) in fiscal 2006. During fiscal 2006, we reassessed our provision requirements on performing loans and non-performing loans on a portfolio basis and wrote back an amount of Rs.1.69 billion (US$38 million) from the provisions against non-performing loans, which were in excess of the regulatory requirements.

Tax Expense

Total tax expense was Rs.7.0 billion (US$157 million) for fiscal 2006 compared to Rs.5.7 billion (US$128 million) in fiscal 2005. Income tax expense was Rs.6.6 billion (US$148 million) for fiscal 2006 compared to Rs.5.7 billion (US$127 million) in fiscal 2005. The effective rate of income tax expense was 21.2% for fiscal 2006 compared to the effective rate of income tax expense of 23.8% for fiscal 2005. The effective income tax rate of 21.2% for fiscal 2006 was lower compared to the statutory tax rate of 33.7% primarily due to exempt interest and dividend income and the charging of income at rates lower than statutory tax rates, offset in part by disallowances of certain expenses for tax purposes. Further, during fiscal 2006, we created a deferred tax asset on carry forward capital losses based on our firm plans that sufficient taxable capital gains will be available against which the losses can be set off.

The Indian Finance Act, 2005 imposes an additional income tax on companies called "fringe benefit tax". Pursuant to this Act, companies are deemed to have provided fringe benefits to the employees if certain defined expenses are incurred. A portion of these expenses is deemed to be a fringe benefit to the employees and subjects the Bank to tax at a rate of 30%, exclusive of applicable surcharge and cess. This tax is effective from April 1, 2005. The fringe benefit tax expense amounted to Rs.386 million (US$9 million) for fiscal 2006.

Financial Condition

Assets

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

	At March 31,		
	2005	2006	2006
	(in millions, except percentages)		
Cash and cash equivalents...............	Rs. 136,277	Rs. 182,551	US$ 4,104
Investments	546,516	840,139	18,888

Advances (net of provisions)	964,100	1,562,603	35,130
Fixed assets	41,782	41,429	931
Other assets	95,662	145,574	3,274
Total assets	Rs. 1,784,337	Rs. 2,772,296	US$ 62,327

Our total assets increased by 55.4% to Rs.2,772.3 billion (US$62.3 billion) at year-end fiscal 2006 compared to Rs.1,784.3 billion (US$40.1 billion) at year-end fiscal 2005, primarily due to an increase in advances and investments. Total investments at year-end fiscal 2006 increased by 53.7% to Rs.840.1 billion (US$18.9 billion) from Rs.546.5 billion (US$12.3 billion) at year-end fiscal 2005 primarily due to a 46.7% increase in investments in government and other approved securities in India to Rs.528.3 billion (US$11.9 billion) at year-end fiscal 2006 from Rs.360.18 billion (US$8.1 billion) at year-end fiscal 2005. Net advances increased by 62.1% to Rs.1,562.6 billion (US$35.1 billion) at year-end fiscal 2006 from Rs.964.1 billion (US$21.7 billion) at year-end fiscal 2005 primarily due to an increase in retail assets in accordance with our strategy to increase our retail assets portfolio, offset, in part, by a reduction due to repayments and securitization of assets. Total assets (gross) of overseas branches of ICICI Bank (including offshore banking unit in Mumbai) increased by 117.3% to Rs.275.9 billion (US$6.2 billion) at year-end fiscal 2006 from Rs.127.0 billion (US$2.9 billion) at year-end fiscal 2005. During the year we acquired an additional stake of 6% in Prudential ICICI Asset Management Company Limited and Prudential ICICI Trust Limited increasing our total shareholding in the company to 51%. The above acquisition resulted in a goodwill of Rs.487 million (US$11 million), which is included in other assets. Other assets increased by 52.2% to Rs. 145.6 billion (US$ 3.3 billion) at year-end fiscal 2006 from Rs. 95.7 billion (US$ 2.2 billion) at year-end fiscal 2005 primarily due to an increase in the recoverables in the ordinary course of business from our counterparties, customers and clients resulting from the general increase in business volumes.

Liabilities and Stockholders' Equity

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

	At March 31,		
	2005	2006	2006
	(in millions, except percentages)		
Deposits................................	Rs. 1,011,086	Rs. 1,724,510	US$ 38,770
Borrowings..............................	383,690	450,000	10,117
Other liabilities(1)....................	254,601	360,310	8,101
Proposed dividend (including corporate dividend tax)........................	7,193	8,809	198
Minority interest.......................	1,525	2,749	62
Total liabilities.......................	1,658,095	2,546,378	57,248

	At March 31,		
	2005	2006	2006
	(in millions, except percentages)		
Equity share capital....................	7,368	8,898	200
Preference share capital	3,500	3,500	79
Reserves and surplus....................	115,374	213,520	4,800
Total liabilities (including capital and reserves)............................	Rs. 1,784,337	Rs. 2,772,296	US$ 62,327

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(1) Includes subordinated debt.

Deposits increased by 70.6% to Rs.1,724.5 billion (US$38.8 billion) at year-end fiscal 2006 from Rs.1011.1 billion (US$22.7 billion) at year-end fiscal 2005. This significant growth in deposits was primarily achieved through increased focus on retail and corporate customers by offering a wide range of products designed to meet varied individual and corporate needs and leveraging our network of branches, extension counters and ATMs. Borrowings (excluding subordinated debt) increased by 17.3% to Rs.450.0 billion (US$10.1 billion) at year-end fiscal 2006 from Rs.383.7 billion (US$8.6 billion) at year-end fiscal 2005. Minority interest increased to Rs.2,749 million (US$62 million) at year-end fiscal 2006 from Rs.1525 million (US$34 million) at year-end fiscal 2005. The increase is primarily due to the acquisition of additional stakes in Prudential ICICI Asset Management Company Limited and Prudential ICICI Trust Limited as a result of which these companies have been accounted for as subsidiaries in fiscal 2006 as compared to the proportionate consolidation method of accounting followed in fiscal 2005. Stockholders' equity increased by 81.2% at year-end fiscal 2006 to Rs.222.4 billion (US$5.0 billion) from Rs.122.7 billion (US$2.8 billion) at year-end fiscal 2005 primarily due to equity capital raised by us amounting to Rs.80.0 billion (US$1.8 billion) during fiscal 2006.

Fiscal 2005 to Fiscal 2004

Summary

Net profit increased by 17.2% to Rs.18.5 billion (US$416 million) for fiscal 2005 compared to Rs.15.8 billion (US$355 million) for fiscal 2004 primarily due to a 38.6% increase in net interest income and a 55.9% increase in non-interest income offset, in part, by a 73.7% increase in non-interest expense.

- Net interest income increased by 38.6% to Rs.30.3 billion (US$681 million) in fiscal 2005 from Rs.21.8 billion (US$491 million) in fiscal 2004 reflecting an increase of 23.5% in the average volume of interest-earning assets and an increase in net interest margin by 27 basis points.

- Non-interest income increased by 55.9% in fiscal 2005 to Rs.71.0 billion (US$1.6 billion), from Rs.45.5 billion (US$1.0 billion) in fiscal 2004 primarily due to a 72.4% increase in commission, exchange and brokerage and an increase of 176.0% in the income relating to the insurance business offset, in part, by a 46.7% decrease in profit on sale of investments.

- Non-interest expense increased by 73.7% for fiscal 2005 to Rs.72.9 billion (US$1,638 million) from Rs.41.9 billion (US$943 million) for

fiscal 2004 primarily due to a 53.5% increase in employee expenses and a 169.5% increase in expenses relating to our insurance business.

- Provisions and contingencies (excluding provisions for tax) decreased by 25.9% to Rs.4.6 billion (US$104 million) in fiscal 2005 from Rs.6.3 billion (US$141 million) in fiscal 2004 primarily due to lower additions to non-performing assets and a higher level of write-backs in fiscal 2005.

- Gross restructured loans decreased by 13.0 % to Rs.65.6 billion (US$1.5 billion) at year-end fiscal 2005 from Rs.75.5 billion (US$1.7 billion) at year-end fiscal 2004 primarily due to the reclassification of certain loans as performing based on satisfactory performance of the borrower accounts. Gross non-performing assets decreased by 14.3% to Rs.35.0 billion (US$786 million) at year-end fiscal 2005 from Rs.40.8 billion (US$918 million) at year-end fiscal 2004 primarily due to transfer of certain non-performing assets to an asset reconstruction company and reclassification of certain assets as performing based on satisfactory performance of the borrower accounts.

- Our total assets increased by 36.5% to Rs.1,784.3 billion (US$40.1 billion) at year-end fiscal 2005 compared to Rs.1,307.5 billion (US$29.4 billion) at year-end fiscal 2004 primarily due to a 48.4% increase in advances portfolio.

Net Interest Income

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

	Year ended March 31,			
	2004	2005	2005	2005 % ch
	(in millions, except percentages)			
Interest income	Rs. 93,526	Rs. 98,338	US$ 2,211	
Interest expense	(71,677)	(68,044)	(1,530)	(
Net interest income	Rs. 21,849	Rs. 30,294	US$ 681	3

Net interest income increased by 38.6% to Rs.30.3 billion (US$681 million) in fiscal 2005 from Rs.21.8 billion (US$491 million) in fiscal 2004 reflecting mainly the following:

- an increase of Rs.232.0 billion (US$5.2 billion) or 23.5% in the average volume of interest-earning assets;

- an increase of 27 basis points in net interest margin to 2.49% in fiscal 2005 from 2.22% in fiscal 2004.

The average volume of interest-earning assets increased by 23.5% or

Rs.232.0 billion (US$5.2 billion) to Rs.1,217.7 billion (US$27.4 billion) during fiscal 2005 from Rs.985.7 billion (US$22.2 billion) during fiscal 2004, primarily due to the increase in average advances. The average advances increased by 32.3% to Rs.763.7 billion (US$17.1 billion) in fiscal 2005 from Rs.577.1 billion (US$13.0 billion) in fiscal 2004. This increase in average advances was primarily due to increased disbursements of retail finance loans offset, in part, by sell-down/securitization and repayments of loans. The average volume of interest-earning foreign currency assets increased by 53.0% to Rs.152.6 billion (US$3.4 billion) during fiscal 2005 from Rs.99.7 billion (US$2.2 billion) during fiscal 2004 primarily due to increased business volumes of our international branches and subsidiaries.

Total interest income increased by 5.1% to Rs.98.3 billion (US$2.2 billion) for fiscal 2005 from Rs.93.5 billion (US$2.1 billion) for fiscal 2004 primarily due to an increase of 23.5% in the average volume of interest-earning assets to Rs.1,217.7 billion (US$27.4 billion) during fiscal 2005 from Rs.985.7 billion (US$22.2 billion) during fiscal 2004 offset, in part, by a decline in the yield on interest-earning assets. The yield on interest-earning assets decreased to 8.1% in fiscal 2005 from 9.5% in fiscal 2004 primarily due to a decline in the yield on advances to 9.1% in fiscal 2005 from 10.7% in fiscal 2004 and a decline in yield on investments to 6.3% in fiscal 2005 from 7.7% in fiscal 2004. The yield on advances declined in fiscal 2005 primarily due to origination of new loans at lower rates in line with the reduction in lending rates and a reduction in higher yield loans.

Total interest expense decreased by 5.1% to Rs.68.0 billion (US$1.5 billion) during fiscal 2005 from Rs.71.7 billion (US$1.6 billion) during fiscal 2004 primarily due to a decline of 151 basis points in the cost of liabilities offset, in part, by a 20.6% increase in average interest-bearing liabilities to Rs.1,221.3 billion (US$27.5 billion) in fiscal 2005 from Rs.1,012.6 billion (US$22.8 billion) in fiscal 2004. The average cost of borrowings decreased to 7.8% in fiscal 2005 from 9.3% in fiscal 2004 primarily due to repayment of high cost borrowings. Average deposits, with an average cost of 4.2% for fiscal 2005, constituted 62.9% of total average interest-bearing liabilities compared to 55.8% of the total average interest-bearing liabilities with an average cost of 5.4% for fiscal 2004.

As a result of a 151 basis points reduction in the cost of funds offset, in part, by a 141 basis points reduction in the yield on interest-earning assets, the net interest margin increased by 27 basis points.

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Non-Interest Income

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

	Year ended March 31,		
	2004	2005	2005
	(in millions, except percentages)		
Commission, exchange and brokerage..........	Rs. 12,037	Rs. 20,751	US$ 467
Profit/(loss) on sale of investments (net)..	14,175	7,560	170
Profit/(gloss) on revaluation of			

investments (net)........................	10	146	3
Profit/(loss) on sale of land, buildings and other assets (net)...................	(19)	(9)	(0)
Profit/(loss) on foreign exchange transactions (net).......................	2,086	2,781	63
Income pertaining to insurance business	12,809	35,355	795
Miscellaneous income (including lease income).................................	4,432	4,392	99
Total other income.........................	Rs. 45,530	Rs. 70,976	US$ 1,597

Non-interest income increased by 55.9% in fiscal 2005 to Rs.71.0 billion (US$1.6 billion), from Rs.45.5 billion (US$1.0 billion) in fiscal 2004 primarily due to a 72.4% increase in commission, exchange and brokerage and a 176.0% increase in the income pertaining to insurance business offset, in part, by a 46.7% decrease in profit on sale of investments.

Commission, exchange and brokerage increased by 72.4% to Rs.20.8 billion (US$467 million) in fiscal 2005 from Rs.12.0 billion (US$271 million) in fiscal 2004 primarily due to growth in fee income from retail products and services, including fees arising from retail asset products like home loans and credit cards and retail liability-related income like account servicing charges, and an increase in transaction banking fee income from small enterprises as well as an increase in transaction banking and other fee income from corporate banking. During this period there were also significant increases in the business volumes of transaction banking services such as banker's acceptances, bank guarantees and cash management services.

Income from sale of investments decreased by 46.7% to Rs.7.6 billion (US$170 million) for fiscal 2005 from Rs.14.2 billion (US$319 million) for fiscal 2004 due to the decrease in trading profits on government securities and corporate debt securities as a result of increasing interest rates in the fixed income market. During fiscal 2005 the yield on 10-year government of India securities increased by 1.52% to 6.68%. During fiscal 2004 the yield on 10-year government of India securities had declined by 1.1% and we had capitalized on this decline to realize a high level of trading profits on fixed income securities. The level of trading profits is volatile as it depends on specific market conditions, which may or may not be favorable. Income from foreign exchange transaction includes income from derivatives reflecting primarily the transactions undertaken with customers by us and hedged internally or in the inter-bank market and income from merchant foreign exchange transactions.

Income pertaining to insurance business, representing primarily premium income on our life and general insurance products was Rs.35.4 billion (US$795 million) as compared to Rs 12.8 billion (US$288 million). Our consolidated financial statements for fiscal 2004 include a 74% share of income of our insurance subsidiaries as compared to a 100% share of income for fiscal 2005 reflecting a change in accounting for consolidation of joint ventures which are subsidiaries as required by the Institute of Chartered Accountants of India. The increase in income was also on account of an increase in the number of policies issued and new insurance products introduced during the year.

Miscellaneous income decreased by 0.9% to Rs.4,392 million (US$99 million) in fiscal 2005 from Rs.4,432 million (US$100 million) in fiscal 2004.

Non-Interest Expense

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

	Year ended March 31,		
	2004	2005	2005
	(in millions, except percentag		
Payments to and provisions for employees......	Rs. 7,107	Rs. 10,908	US$ 24
Depreciation on own property.................	2,804	3,283	7
Auditor's fees and expenses..................	31	36	
Other administrative expenses................	14,207	18,549	41
Operating expenses...........................	24,149	32,776	73
Direct marketing agency expenses.............	3,091	5,064	11
Depreciation on leased assets................	2,805	2,975	6
Expenses pertaining to insurance business.....	11,889	32,042	72
Total non-interest expenses..................	Rs. 41,934	Rs. 72,857	US$ 1,63

Non-interest expense increased by 73.7% in fiscal 2005 to Rs.72.9 billion (US$1,638 million) from Rs.41.9 billion (US$943 million) in fiscal 2004 primarily due to an increase in administration expense and salary expenses and expenses relating to insurance expenses.

Employee expenses increased by 53.5% to Rs.10.9 billion (US$245 million) in fiscal 2005 from Rs.7.1 billion (US$160 million) in fiscal 2004, primarily due to an increase in the number of employees. The employee expenses for ICICI Bank Limited increased by 35.0% to Rs.7.4 billion (US$166 million) in fiscal 2005 from Rs.5.5 billion (US$123 million) in fiscal 2004 primarily due to a 38.0% increase in the number of employees. Other administrative expenses increased by 30.5% to Rs.18.5 billion (US$417 million) in fiscal 2005 from Rs.14.2 billion (US$319 million) in fiscal 2004, primarily due to increased volume of business, particularly in retail banking, including maintenance of ATMs, credit card expenses, call center expenses and technology expenses. The increase is also due to an increase in the number of bank branches and extension counters to 562 at year-end fiscal 2005 compared to 469 at year-end fiscal 2004. The number of branches and offices of our insurance subsidiaries increased to 277 at year-end fiscal 2005 from 187 at year-end fiscal 2004.

We incurred directing marketing agency expenses of Rs.5.1 billion (US$114 million) on the retail assets portfolio in fiscal 2005 compared to Rs.3.1 billion (US$70 million) in fiscal 2004, in commensuration with the growth in retail business volumes. We deduct direct marketing agency expenses incurred in connection with sourcing our automobile loans on an upfront basis from interest income.

Expenses relating to the insurance business representing expenses relating to provisions for claims, contribution to linked business, commission paid and reserving for actuarial liability was Rs 32.0 billion (US$720 million) in fiscal 2005 as compared to Rs 11.9 billion (US$267 million). Our consolidated financial statements for fiscal 2004 include a 74% share of expenses of our insurance subsidiaries as compared to a 100% share of expenses for fiscal 2005

reflecting a change in accounting for consolidation of joint ventures which are subsidiaries as required by the Institute of Chartered Accountants of India. The increase in expense was also on account of an increase in the number of life and general insurance policies written and a general increase in our insurance business. The provisions for claims are based on actuarial valuations.

Provisions for Non-performing Assets and Restructured Loans

The following table set forth, at the dates indicated, certain information regarding restructured loans and non-performing assets.

	At March 31,		
	2004	2005	2005
	(in millions, except percentages		
Gross restructured loans	Rs. 75,454	Rs. 65,623	US$ 1,475
Provisions for restructured loans	(9,169)	(2,991)	(67)
Net restructured loans	66,285	62,632	1,408
Gross non-performing assets	40,821	34,973	786
Provisions for non-performing assets(1)	(20,331)	(14,890)	(334)
Net non-performing assets	20,490	20,083	452
Gross restructured loans and non-performing assets	116,275	100,596	2,262
Provision for restructured loans and non-performing asset(2)	(29,500)	(17,881)	(402)
Net restructured loans and non-performing assets	86,775	82,715	1,860
Gross customer assets	772,986	1,049,431	23,593
Net customer assets	736,297	1,029,299	23,141
Gross restructured loans as a percentage of gross customer assets	9.76%	6.25%	
Gross non-performing assets as a percentage of gross customer assets	5.28	3.33	
Net restructured loans as a percentage of net customer assets	9.00	6.08	
Net non-performing assets as a percentage of net customer assets	2.78	1.95	
Provisions on restructured loans as a percentage of gross restructured assets	12.15	4.56	
Provisions on non-performing assets as a percentage of gross non-performing assets	49.81	42.58	
Provisions as a percentage of gross customer assets(3)	5.25	2.14	

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(1) Includes interest suspense

(2) Net of technical write-offs.
(3) Includes general provision on standard assets.

Gross restructured loans decreased by 13.0 % to Rs.65.6 billion (US$1.5 billion) at year-end fiscal 2005 from Rs.75.5 billion (US$1.7 billion) at year-end fiscal 2004 primarily due to the reclassification of certain assets as performing based on satisfactory performance of the borrower accounts, offset in part, by restructuring of loans to certain companies and reclassification to non-performing assets. Gross non-performing assets decreased by 14.3% to Rs.35.0 billion (US$786 million) at year-end fiscal 2005 from Rs.40.8 billion (US$918 million) at year-end fiscal 2004 primarily due to transfer of certain non-performing assets to an asset reconstruction company and reclassification of certain assets as performing based on satisfactory performance of the borrower accounts. As a percentage of net customer assets, net restructured loans were 6.1% at year-end fiscal 2005 and 9.0% at year-end fiscal 2004 and net non-performing assets were 1.9% at year-end fiscal 2005 and 2.8% at year-end fiscal 2004.

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

	Year ended March 31,			
	2004	2005	2005	2005/2004 % change
	in millions, except percentages)			
Provisions for investments (including credit substitutes)(net)...............	Rs. 1,170	Rs. 5,433	US$ 122	364.2%
Provision for non-performing assets and provision for standard assets(1)......................	4,873	(890)	(20)	(118.3)
Others...........................	208	86	2	(58.6)
Total provisions..................	Rs. 6,251	Rs. 4,629	US$ 104	(25.9)%

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

Total provisions decreased by 25.9% to Rs.4.6 billion (US$104 million) in fiscal 2005 from Rs.6.3 billion (US$141 million) in fiscal 2004. During fiscal 2005, we transferred investments amounting to Rs.213.5 billion (US$4.8 billion) from available for sale category to held to maturity category in accordance with the Reserve Bank of India guidelines. The difference between the book value of each investment and the lower of its acquisition cost and market value on the date of transfer, amounting to Rs.1.8 billion (US$40 million) is included in the provision on investments. In addition, provision on investments

was higher in fiscal 2005 on account of a higher amount of amortization of premium on government securities classified in the held to maturity category. We made a net write back of provision on non-performing assets (including provision for standard assets) of Rs.890 million (US$20 million) in fiscal 2005 as compared to a provision of Rs.4.9 billion (US$110 million) in fiscal 2004 primarily due to lower additions to non-performing assets in fiscal 2005 and a higher level of write-backs in fiscal 2005.

Tax Expense

Total tax expense amounted to Rs.5.7 billion (US$128 million) for fiscal 2005 compared to Rs.3.4 billions (US$76 million) in fiscal 2004. Income tax expense amounted to Rs.5.7 billion (US$127 million) for fiscal 2005 compared to Rs.3.4 billions (US$76 million) at year-end fiscal 2004. The effective rate of income tax expense was 23.8% for fiscal 2005 compared to the effective income tax expense of 17.6% for fiscal 2004. The effective income tax rate of 23.8% for fiscal 2005 was lower compared to statutory tax rate of 36.6% primarily due to exempt interest and dividend income and the charging of certain income at rates other than statutory tax rate.

Financial Condition

Assets

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

	At March 31,			
	2004	2005	2005	2005/2004 % change
	(in millions, except percentages)			
Cash and cash equivalents..........	Rs. 89,884	Rs. 136,277	US$ 3,064	51.6%
Investments........................	462,675	546,516	12,287	18.1
1,675 48.4				
Fixed assets.......................	41,471	41,782		
Fixed assets.......................	41,471	41,782	939	0.8
Other assets.......................	63,967	95,662	2,151	49.5
Total assets.......................	Rs.1,307,476	Rs.1,784,337	US$ 40,116	36.5%

Our total assets increased by 36.5% to Rs.1,784.3 billion (US$40.1 billion) at year-end fiscal 2005 compared to Rs.1,307.5 billion (US$29.4 billion) at year-end fiscal 2004, primarily due to an increase in advances and investments. Net advances increased by 48.4% to Rs.964.1 billion (US$21.7 billion) at year-end fiscal 2005 from Rs.649.5 billion (US$14.6 billion) at year-end fiscal 2004 primarily due to an increase in retail advances in accordance with our strategy to increase our retail assets portfolio, offset, in part, by a reduction due to repayments

and securitization of loans. Total investments at

year-end fiscal 2005 increased by 18.1% to Rs.546.5 billion (US$12.3 billion) from Rs.462.7 billion (US$10.4 billion) at year-end fiscal 2004 primarily due to a 13.0% increase in investments in government and other approved securities in India to Rs.360.2 billion (US$8.1 billion) at year-end fiscal 2005 from Rs.318.7 billion (US$7.2 billion) at year-end fiscal 2004. Other assets increased by 49.5% to Rs.95.7 billion (US$2.2 billion) at year-end fiscal 2005 from Rs.64.0 billion (US$1.4 billion) at year-end fiscal 2004.

Liabilities and Stockholders' Equity

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

	At March 31,			
	2004	2005	2005	2005/2004 % change
	(in millions, except percentages)			
Deposits	Rs. 680,787	Rs.1,011,086	US$ 22,731	48.5%
Borrowings	349,581	383,690	8,626	9.8
Other liabilities(1)	189,801	254,601	5,724	34.1
Proposed dividend (including corporate dividend tax)	6,137	7,193	162	17.2
Minority interest	111	1,525	34	1271.0
Total liabilities	1,226,417	1,658,095	37,277	35.2
Equity share capital	6,164	7,368	166	19.5
Preference share capital	3,500	3,500	79	0.0
Reserve and surplus	71,395	115,374	2,594	61.6
Total liabilities (including capital and reserves)	Rs.1,307,476	Rs.1,784,337	US$ 40,116	36.5%

(1) Includes subordinated debt

Deposits increased by 48.5% to Rs.1,011.1 billion (US$22.7 billion) at year-end fiscal 2005 from Rs.680.8 billion (US$15.3 billion) at year-end fiscal 2004. This significant growth in deposits was primarily achieved through increased focus on retail and corporate customers by offering a wide range of products designed to meet varied individual and corporate needs and leveraging our network of branches, extension counters and ATMs. Borrowings (excluding subordinated debt) increased by 9.8% to Rs.383.7 billion (US$8.6 billion) at year-end fiscal 2005 from Rs.349.6 billion (US$7.9 billion) at year-end fiscal 2004. Minority interest increased to Rs.1.5 billion (US$34 million) at year-end fiscal 2005 from Rs.111 million (US$3 million) at year-end fiscal 2004. The increase in minority interest is due to the inclusion of the minority shareholders of ICICI Prudential Insurance Company Limited and ICICI Lombard General Insurance Company Limited in fiscal 2005. These entities were accounted for as subsidiaries in fiscal 2005 due to a limited revision made to Accounting Standard 27 (AS 27) on 'Financial Reporting of Interest in Joint Venture', which required joint ventures that qualify as subsidiaries to be accounted for as per the principles of Accounting Standard 21 (AS 21) on `Consolidated Financial Statement' instead of the proportionate consolidation method recommended earlier. Stockholders' equity increased 58.3% at year-end fiscal 2005 to Rs.122.7 billion (US$2.8 billion) from Rs.77.6 billion (US$1.7 billion) at year-end fiscal 2004 primarily due to equity capital amounting to Rs. 32.5 billion (US$730 million) raised by us during fiscal 2005.

Off Balance Sheet Items, Commitments and Contingencies

Foreign Exchange and Derivative Contracts

We enter into foreign exchange forwards, options, swaps and other derivative products to enable customers to transfer, modify or reduce their foreign exchange and interest rate risks and to manage our own interest rate and foreign exchange positions. These instruments are used to manage foreign exchange and interest rate risk relating to specific groups of on-balance sheet assets and liabilities. The following table sets forth, at the dates indicated, the notional amount of derivative contracts.

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	Notional principal amounts				Balance
	At March 31				
	2004	2005	2006	2006	2004
				(in millions)	
Interest rate products:					
Swap agreements.....	Rs.1,227,115	Rs.1,737,555	Rs.2,720,713	US$ 61,167	Rs. 1,493
Others.............	47,691	89,502	49,390	1,110	(7)
Total interest rate products.........	Rs.1,274,806	Rs.1,827,057	Rs.2,770,103	US$ 62,277	Rs. 1,486
Foreign exchange products:					
Forward contracts...	Rs. 557,353	Rs. 714,653	Rs. 919,149	US$ 20,664	Rs. 659
Swap agreements.....	-		25,194	566	-
Others.............	35,528	79,178	254,882	5,730	(345)
Total foreign exchange products	Rs. 592,881	Rs. 793,831	Rs.1,199,225	US$ 26,960	Rs. 314

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(1) Denotes the mark-to-market impact of the derivative and foreign exchange products on the reporting date.

The notional principal amount of interest rate products increased to Rs.2,770.1 billion (US$62.3 billion) at year-end fiscal 2006 compared to Rs.1,827.1 billion (US$41.1 billion) at year-end fiscal 2005. The notional principal amount of foreign exchange products increased to Rs.1,199.2 billion (US$27.0 billion) at year-end fiscal 2006 compared to Rs.793.8 billion (US$17.8 billion) at year-end fiscal 2005. This significant increase in the volumes of interest rates swaps and foreign exchange forward contracts was primarily due to increased transactions carried out by us on behalf of our customers and growth in the market for such products. Market volumes have also increased significantly during this period. As an active player and market-maker in swap

and forward exchange contract markets and due to the fact that reduction in positions is generally achieved by entering into offsetting transactions rather than termination/cancellation of existing transactions, we have seen a substantial increase in the notional principal of our swap portfolio during this period.

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

Securitization

We primarily securitize commercial loans through "pass-through" securitizations. In fiscal 2006, we securitized loans which resulted in gains of Rs.4,032 million (US$91 million) compared to Rs.3,976 million (US$89 million) in fiscal 2005. The gains are reported as a component of interest income. After the securitization, we generally continue to maintain customer account relationships and service loans transferred to the securitization trust. The securitizations are either with or without recourse. In certain cases, we may enter into derivative transactions such as written put options and interest rate swaps with the transferees. In February 2006, the Reserve Bank of India issued guidelines on accounting for securitization of standard assets. In accordance with these guidelines, in effect since February 1, 2006, we account for any loss arising on securitization immediately at the time of sale and we amortize the profit / premium arising on account of securitization over the life of the asset. Prior to February 1, 2006, profit arising on account of securitization was recorded at the time of sale.

In certain cases, we write put options, which require us to purchase, upon request of the holders, securities issued in certain securitization transactions. The put options seek to provide liquidity to holders of such instruments. If exercised, we are obligated to purchase the securities at the pre-determined exercise price.

We may sometimes invest in financial assets such as mortgage loans, commercial vehicles and trade receivables transferred in pass-through securitizations. An originator of a typical securitization transfers a portfolio of financial

assets to a special purpose entity (SPE), commonly a Trust. We account for these investments at inception at acquisition price.

Loan Commitments

We have outstanding undrawn commitments to provide loans and financing to customers. These loan commitments aggregated Rs.82.6 billion (US$1,858 million) at year-end fiscal 2006 compared to Rs.37.8 billion (US$850 million) at year-end fiscal 2005. The interest rate on these commitments is dependent on the lending

rates on the date of the loan disbursement. Further, the commitments have fixed expiration dates and are contingent upon the borrower's ability to maintain specific credit standards.

Capital Commitments

We are obligated under a number of capital contracts. Capital contracts are job orders of a capital nature, which have been committed. Estimated amounts of contracts remaining to be executed on capital account aggregated Rs.1.5 billion (US$33 million) at year-end fiscal 2006 compared to Rs.704.4 million (US$16 million) at year-end fiscal 2005 signifying the unpaid amount for acquisition of fixed assets as per contracts entered into with suppliers.

Operating Lease Commitments

We have commitments under long-term operating leases principally for premises. The following table sets forth, a summary of future minimum lease rental commitments at year-end fiscal, for non-cancelable leases.

Lease rental commitments for fiscal	in millions)
2007	Rs. 615
2008	577
2009	564
2010	462
2011	373
Thereafter	807
Total minimum lease commitments	Rs. 3,398

Guarantees

As a part of our financing activities, we issue guarantees to enhance the credit standing of our customers. The guarantees are generally for a period not exceeding 10 years. The credit risk associated with these products, as well as the operating risks, are similar to those relating to other types of financial instruments. We have the same appraisal process for guarantees as that for any other loan product. Guarantees increased by 25% to Rs.201.8 billion (US$4.6 billion) at year-end fiscal 2006 from Rs.161.7 billion (US$3.6 billion) at year-end fiscal 2005.

The following table sets forth, at the dates indicated, guarantees outstanding.

	At March 31,				
	2004	2005	2005/2004 % change	2006	
	(in millions, except percentages)				
Financial guarantees(1)	Rs. 57,344	Rs. 61,848	7%	Rs. 68,660	US
Performance guarantees(2)	65,000	99,808	54%	133,079	
Total guarantees	Rs. 122,344	Rs. 161,656	32%	Rs. 201,739	US

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(1) Consists of instruments guaranteeing the timely contractual payment of loan obligations, primarily to foreign lenders on behalf of project companies.

(2) Consists of instruments guaranteeing the performance by a company of an obligation, such as exports.

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The following table sets forth contractual obligations on long-term debt, operating lease and guarantees at year-end fiscal 2006.

Contractual Obligations	Total	Less than 1 year	1-3 years	3-5 years
	Payments due by period			
			(in millions)	
Long-term debt obligations..........	Rs. 393,649	Rs. 72,832	Rs. 119,835	Rs. 101,622
Operating lease obligations.........	3,398	615	1,141	835
Guarantees				
Financial guarantees............	68,660	44,427	14,084	6,917
Performance guarantees...........	133,079	56,085	58,250	15,283
Total..............................	Rs. 598,557	Rs. 173,730	Rs. 193,218	Rs. 124,749

Capital Resources

ICICI Bank is subject to the capital adequacy requirements of the Reserve Bank of India, which are primarily based on the capital adequacy accord reached by the Basel Committee of Banking Supervision, Bank of International Settlements in 1988. ICICI Bank is required to maintain a minimum ratio of total capital to risk adjusted assets of 9.0%, at least half of which must be Tier 1 capital.

Our total capital adequacy at March 31, 2006 was 13.35%, including Tier I capital adequacy of 9.20% and Tier II capital adequacy of 4.15%. In accordance with the Reserve Bank of India guidelines, the risk-weighted assets at March 31, 2006 include home loans to individuals at a risk weight of 75%, other consumer loans, commercial real estate exposure and capital market exposure at a risk weight of 125%. The risk-weighted assets at March 31, 2006 also include the impact of capital requirements for market risk on the held for trading and available for sale portfolio.

The Reserve Bank of India issued guidelines in October 2005 permitting banks that have maintained capital of at least 9.0% of the risk-weighted assets for credit risk and market risk for held for trading and available for sale categories of investments at March 31, 2006, to transfer the balance in the investment fluctuation reserve `below the line' in the profit and loss appropriation account to the statutory reserve, general reserve or balance of profit and loss account. Pursuant to the above, the entire balance in investment fluctuation reserve of Rs. 13.20 billion (US$297 million) at year-end fiscal 2006 was transferred to revenue and other reserves and hence considered in the Tier I capital.

For all securitization deals executed subsequent to February 1, 2006, capital requirements have been considered in accordance with the Reserve Bank of India guidelines issued on February 1, 2006. Deferred tax assets of Rs.1.64 billion (US$37 million) and unamortized expenses of Rs.886 million (US$19 million) on account of the early retirement option in 2003 have also been deducted from Tier I capital. In accordance with the Reserve Bank of India guidelines, Tier I capital includes Rs.1.50 billion (US$ 34 million) of 20-year non-cumulative preference shares issued to ITC Limited (face value of Rs.3.50 billion (US$ 79million)) as a part of the scheme for merger of ITC Classic Finance Limited with ICICI.

In January 2006, the Reserve Bank of India issued guidelines permitting banks to issue perpetual debt with a call option after not less than 10 years, to be exercised with its prior approval, for inclusion in Tier I capital up to a maximum of 15% of total Tier I capital. The Reserve Bank of India also permitted banks to issue debt instruments with a minimum maturity of 15 years and a call option after not less than 10 years, to be exercised with its prior approval, for inclusion in Tier II capital. At March 31, 2006 we had not issued any hybrid Tier I or upper Tier II instruments. In fiscal 2007 (through September 20, 2006), we issued debt instruments qualifying for Tier II capital treatment amounting to Rs. 33.3 billion (US$ 748 million), rupee denominated Tier I debt instruments amounting to Rs. 7.8 billion (US$ 176 million) and foreign currency denominated Tier I debt instruments amounting to US$ 340 million.

In February 2005, the Reserve Bank of India issued draft guidelines for the implementation of the revised capital adequacy framework of the Basel Committee. These draft guidelines, which are proposed to be effective

from April 1, 2006, specify that all banks in India should adopt the standardized approach for credit risk and the basic indicator approach for operational risk with effect from March 31, 2007. After adequate expertise has been developed, both at the banks and at the supervisory levels, some banks may be allowed to migrate to the internal ratings based approach after obtaining the approval of the Reserve Bank of India. The guidelines also prescribe a 75.0% risk weight for retail credit exposures, differential risk weights for other credit exposures linked to their credit rating, and a capital charge for operational risk based on a factor of 15.0% of the sum of a bank's net interest income and non-interest income (excluding extraordinary income).

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

	At March 31,		
	2005	2006	2006
		(in millions)	
Tier 1 capital	Rs. 102,463	Rs. 191,815	US$ 4,312
Tier 2 capital	56,566	86,611	1,947
Total capital	Rs. 159,029	Rs. 278,426	US $6,259

On- balance sheet risk weighted assets	Rs. 1,080,528	Rs. 1,557,236	US $35,010
Off-balance sheet risk weighted assets	269,640	528,700	11,886
Total risk weighted assets	Rs. 1,350,168	Rs. 2,085,936	US $46,896
Tier 1 capital adequacy ratio	7.59%	9.20%	
Tier 2 capital adequacy ratio	4.19%	4.15%	
Total capital adequacy ratio	11.78%	13.35%	

From time to time, we may access the capital markets through additional equity or debt offerings to increase our capital resources.

Liquidity Risk

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

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

Most of our incremental funding requirements, including replacement of maturing liabilities of ICICI, which generally had longer maturities, are met through short-term funding sources, primarily in the form of deposits including inter-bank deposits. However, a large portion of our assets, primarily the assets of ICICI and our home loan portfolio, have medium or long-term maturities, creating a potential for funding mismatches. We actively monitor our liquidity position and attempt to maintain adequate liquidity at all times to meet all requirements of all depositors and bondholders, while also meeting the requirement of lending groups. From time to time, we may buy back some of our outstanding bonds at our discretion in the open market or in privately negotiated transactions depending on market conditions, interest rates and other factors. We seek to establish a continuous information flow and an active dialogue between the funding and borrowing divisions of the organization to enable optimal liquidity management. A separate group is responsible for liquidity management.

Another source of liquidity risk is the put options written by us on the loans, which we have securitized. These options are binding on us and require us to purchase, upon request of the holders, securities issued in such securitized transactions. The options seek to provide liquidity to the security holders. If exercised, we will be

obligated to purchase the securities at the pre-determined exercise price. Under

the Reserve Bank of India's statutory liquidity ratio requirement, we are required to maintain 25.0% of our total demand and time liabilities by way of approved securities, such as government of India securities and state government securities. We maintain the statutory liquidity ratio through a portfolio of government of India securities that we actively manage to optimize the yield and benefit from price movements. Under the Reserve Bank of India's cash reserve ratio requirements, we were required to maintain 5.0% of our demand and time liabilities in a current account with the Reserve Bank of India.We also have recourse to the liquidity adjustment facility and the refinance window, which are short-term funding arrangements provided by the Reserve Bank of India. We maintain a portfolio of liquid high quality securities that may be sold on an immediate basis to meet our liquidity needs.

We also have the option of managing liquidity by borrowing in the inter-bank market on a short-term basis. The overnight market, which is a significant part of the inter-bank market, is susceptible to volatile interest rates. These interest rates on certain occasions have touched historical highs of 100.0% and above. To curtail reliance on such volatile funding, our liquidity management policy has stipulated daily limits for borrowing and lending in this market. The limit on daily borrowing is more stringent than the limit set by the Reserve Bank of India. ICICI Securities Limited, like us, relies for a certain proportion of its funding on the inter-bank market for overnight money and is therefore also exposed to similar risk of volatile interest rates.

We are required to submit gap analysis on a monthly basis to the Reserve Bank of India. Pursuant to the Reserve Bank of India guidelines, the liquidity gap (if negative) must not exceed 20.0% of outflows in the 1-14 day and the 15-28 day time category. We prepare fortnightly maturity gap analysis to review our liquidity position. Static gap analysis is also supplemented by a dynamic analysis for the short-term, to enable the liability raising units to have a fair estimate of the short-term funding requirements. In addition, we also monitor certain liquidity ratios on a fortnightly basis.

The bonds forming part of our Tier II capital are rated AAA by two Indian credit rating agencies, ICRA Limited and Credit Analysis & Research Limited. The bonds forming part of our Upper Tier II capital and Tier I capital are rated AAA by two Indian credit rating agencies, CRISIL Limited and Credit Analysis & Research Limited. The foreign currency bonds forming part of Tier I capital are rated Baa2 by Moody's and BB- by S&P. Our term deposits are rated AAA by ICRA Limited and Credit Analysis & Research Limited. Our certificate of deposits are rated A1+ by ICRA Limited and PR1+ by Credit Analysis & Research Limited. Our long-term foreign currency borrowings are rated Baa2 by Moody's Investors Service, BB+ by Standard and Poor's and BBB by Japan Credit Rating Agency Limited (JCRA). Our short-term foreign currency ratings are Ba2/Not Prime by Moody's Investors Service and B by Standard and Poor's. The outlook from Standard and Poor is positive while the outlook from both Moody's and JCRA is stable. Any downgrade in these credit ratings, or any adverse change in these ratings relative to other banks and financial intermediaries, could adversely impact our ability to raise resources to meet our funding requirements, which in turn could adversely impact our liquidity position. See also "Risk Factors - Risks Relating to Our Business - We are subject to credit, market and liquidity risk which may have an adverse effect on our credit ratings and our cost of funds".

Capital Expenditure

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

Fiscal 2004

	Cost at March 31, 2003	Additions/ transfers	Deletions/ transfers	Depreciation
			(in millions)	
Premises	Rs. 16,336	Rs. 1,089	Rs. (333)	Rs. 1,113
Other fixed assets (including furniture and fixes)	11,295	3,478	(183)	5,788
Assets given on lease	21,546	777	(1587)	4,046
Total	Rs. 49,177	Rs. 5,344	Rs. (2,103)	Rs.10,947

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	Fiscal 2005			
	Cost at March 31, 2004	Additions/ transfers	Deletions/ transfers	Depreciation
			(in millions)	
Premises	Rs. 17,092	Rs. 2,619	Rs. (126)	Rs. 1,650
Other fixed assets (including furniture and fixes)	14,590	3,480	(261)	8,511
Assets given on lease	20,736	213	(525)	5,875
Total	Rs. 52,418	Rs. 6,312	Rs. (912)	Rs.16,036

	Fiscal 2006			
	Cost at March 31, 2005	Additions/ transfers	Deletions/ transfers	Depreciation
			(in millions)	
Premises	Rs. 19,585	Rs. 1,724	Rs. (152)	Rs. 2,278
Other fixed assets (including furniture and fixes)	17,809	4,915	(203)	11,710
Assets given on lease	20,424		(1,259)	7,427
Total	Rs. 57,818	Rs. 6,639	Rs. (1614)	Rs.21,415

Our capital expenditure on property and other assets was Rs.6.6 billion (US$149 million) for fiscal 2006 compared to Rs.6.3 billion (US$142 million) in fiscal 2005. Capital expenditure of Rs.4.9 billion (US$111 million) on other fixed assets in fiscal 2006 included Rs.615.1 million (US$13.8 million) on software. Our capital expenditure on premises and other assets increased by

18.1% to Rs 6.3 billion (US$141.9 million) for fiscal 2005 compared to fiscal 2004.

Significant Changes

Except as stated in this annual report, no significant changes have occurred to us since the date of the fiscal 2006 consolidated financial statements contained in this annual report.

Segment Revenues and Assets

Our operations are classified into the following segments: consumer and commercial banking segment, investment banking segment and others.

The consumer and commercial banking segment provides medium-term and long-term project and infrastructure financing, securitization, lease financing, working capital finance and foreign exchange services to clients. Further, it provides deposit and loan products to retail customers. The investment banking segment includes ICICI Bank's treasury operations and the operations of ICICI Securities Limited, and deals in the debt, equity and money markets and provides corporate advisory products such as mergers and acquisition advice, loan syndication advice and issue management services. The others segment comprises of ICICI Lombard General Insurance Company Limited, ICICI Prudential Insurance Company Limited, Prudential ICICI Asset Management Company Limited, Prudential ICICI Trust Limited, ICICI Property Trust, ICICI Investment Management Company Limited, ICICI Trusteeship Services Limited, TCW/ICICI Investment Partners LLC and TSI Ventures (India) Private Limited.

Consumer and Commercial Banking Segment

Fiscal 2006 compared to Fiscal 2005

Profit before tax of the commercial banking segment increased to Rs.25.9 billion (US$582 million) in fiscal 2006 from Rs.18.8 billion (US$424 million) in fiscal 2005, primarily due to an increase in net interest income by Rs.13.5 billion (US$304 million) and non-interest income by Rs.9.5 billion (US$214 million) in fiscal 2006 as compared to fiscal 2005 offset, in part, by an increase in the provisions and contingencies (excluding provisions for tax) by Rs.6.4 billion (US$143 million) and an increase of Rs.9.6 billion (US$216 million) in non-interest expense in fiscal 2006 as compared to fiscal 2005.

Net interest income increased 52.9% to Rs.39.1 billion (US$879 million) for fiscal 2006 from Rs.25.6 billion (US$575 million) for fiscal 2005 primarily due to an increase in average interest-earning assets.

Non-interest income increased 37.9% to Rs.34.6 billion (US$778 million) in fiscal 2006 from Rs.25.1 billion (US$564 million) in fiscal 2005 primarily due to growth in commission, exchange and brokerage income. Commission, exchange and brokerage income increased mainly due to growth in credit card related fees and third party distribution fees, an increase in income from remittances and other fees from our international business and growth in fees from corporate customers.

Non-interest expense increased 31.3% to Rs.40.3 billion (US$905 million) in fiscal 2006 from Rs.30.7 billion (US$689 million) in fiscal 2005 primarily due to an increase in employee expenses and enhanced operations and the growth in retail franchise, including maintenance of ATMs, credit card expenses, call

center expenses and technology expenses.

Provisions and contingencies (excluding provisions for tax) was Rs.7.5 billion (US$169 million) for fiscal 2006 as compared to Rs.1.2 billion (US$26 million) for fiscal 2005 primarily due to increased provisions on standard assets as per Reserve Bank of India guidelines in fiscal 2006 and a lower level of write backs in fiscal 2006.

Fiscal 2005 compared to Fiscal 2004

Profit before tax of the commercial banking segment increased to Rs.18.8 billion (US$424 million) in fiscal 2005 as compared to Rs.7.3 billion (US$165 million) in fiscal 2004, primarily due to an increase in net interest income by Rs.4.6 billion (US$103 million) and non-interest income by Rs.9.0 billion (US$203 million) in fiscal 2005 as compared to fiscal 2004 and decrease in the provisions and contingencies (excluding provisions for tax) by Rs.5.7 billion (US$129 million)in fiscal 2005, offset, in part by an increase of Rs.8.0 billion (US$178 million) in non-interest expense.

Net interest income increased 21.9% to Rs.25.6 billion (US$575 million) for fiscal 2005 from Rs.21.0 billion (US$471 million) for fiscal 2004 primarily due to replacement of higher cost liabilities of ICICI Limited with relatively lower cost deposits resulting in a positive impact on the net interest income.

Non-interest income increased 56.4% to Rs.25.1 billion (US$564 million) in fiscal 2005 from Rs.16.0 billion (US$360 million) in fiscal 2004. The large increase was primarily due to growth in retail liability product income like account servicing charges and transaction banking fee income from small enterprises, as well as an increase in transaction banking and other fee income from corporate banking. There was a significant increase in business volume of transaction banking services like bankers acceptances, bank guarantees and cash management services.

Non-interest expense increased by 34.8% to Rs.30.7 billion (US$689 million) in fiscal 2005 from Rs.22.8 billion (US$512 million) in fiscal 2004 primarily due to an increase in salary and other administration expenses.

Provisions and contingencies (excluding provisions for tax)decreased to Rs.1.2 billion (US$26 million) for fiscal 2005 from Rs.6.9 billion (US$155 million) for fiscal 2004 primarily due to lower additions to gross restructured loans and other non-performing loans and higher level of write-backs in fiscal 2005.

Investment Banking Segment

Fiscal 2006 compared to Fiscal 2005

Profit before tax for the investment banking segment declined to Rs.5.2 billion (US$117 million) in fiscal 2006 compared to Rs.7.0 billion (US$157 million) in fiscal 2005, primarily due to an increase of Rs.5.4 billion (US$123 million) in the provisions and contingencies (excluding provisions for tax) and an increase of Rs.2.5 billion (US$55 million) in non-interest expenses in fiscal 2006 as compared to fiscal 2005, offset in part by an increase in the non-interest income by Rs.5.3 billion (US$119 million) in fiscal 2006 as compared to fiscal 2005.

Net interest income increased 21.6% to Rs.5.0 billion (US$112 million) in fiscal 2006 from Rs.4.1 billion (US$92 million) in fiscal 2005 primarily due to an increase in interest income from government securities, offset in part by an increase in interest on inter-bank borrowings.

Non-interest income increased 55.3% to Rs.14.9 billion (US$334 million) in

fiscal 2006 from Rs.9.6 billion (US$215 million) in fiscal 2005 primarily due to higher capital gains realized on sale of equity investments.

Non-interest expense increased to Rs.5.7 billion (US$127 million) in fiscal 2006 from Rs.3.2 billion (US$72 million) in fiscal 2005 primarily due to an increase in employee expenses and other administrative expenses.

Provisions and contingencies (excluding provisions for tax) increased to Rs.8.9 billion (US$201 million) for fiscal 2006 from Rs.3.5 billion (US$78 million) for fiscal 2005 primarily due to an increase in the amount of amortization of premium on government securities.

Fiscal 2005 compared to Fiscal 2004

Profit before tax for the investment banking segment declined to Rs.7.0 billion (US$157 million) in fiscal 2005 compared to Rs.13.2 billion (US$296 million) in fiscal 2004, primarily due to a decrease in the profit on sale of investments by Rs.6.8 billion (US$152 million) and an increase in the provisions and contingencies due to amortization of premium on government securities.

Net interest income increased to Rs.4.1 billion (US$92 million) in fiscal 2005 from Rs.466 million (US$10 million) in fiscal 2004 primarily due to reduction in cost of borrowings. Profit on sale of investments decreased 48.7% to Rs.7.1 billion (US$160 million) for fiscal 2005 from Rs.13.9 billion (US$312 million) for fiscal 2004 primarily due to a decrease in trading profits on government securities and corporate debt securities as a result of the increasing interest rate environment. Non-interest expense decreased 18.5% to Rs.3.2 billion (US$72 million) in fiscal 2005 from Rs.3.9 billion (US$89 million) in fiscal 2004.

Provisions and contingencies (excluding provisions for tax) increased by Rs.4.1 billion (US$93 million) in fiscal 2005 to Rs.3.5 billion (US$78 million) primarily due to an increase in the amount of amortization of premium on government securities and a provision of Rs.1.8 billion (US$41 million) made on transfer of investment from the available for sale category to the held to maturity category during fiscal 2005. During fiscal 2005, we transferred investments amounting to Rs.213.5 billion (US$4.8 billion) from the available for sale category to the held to maturity category in accordance with the Reserve Bank of India guidelines. The difference between the book value of each investment and the lower of its acquisition cost and market value on the date of transfer, amounting to Rs.1.8 billion (US$41 million) was provided for in the profit and loss account.

Related party transactions

During fiscal 2006, ICICI Bank conducted transactions with related parties, including joint ventures, associates and key management personnel. The following represent the significant transactions between ICICI Bank and such related parties:

Lease of premises and facilities

During fiscal 2006, we charged for lease of premises, facilities and other administrative costs amounting to Rs.Nil (US$Nil) as compared to Rs.3 million (US$67,446) in fiscal 2005 (fiscal 2004: Rs. 186 million (US$ 4 million)).

Interest received

During fiscal 2006, we received interest from our key management personnel amounting to Rs.1 million (US$22,482) as compared to Rs.0.3 million (US$6,745) in fiscal 2005 (fiscal 2004: Rs. 0.4 million, (US$ 8,993)).

Interest paid

During fiscal 2006, we paid interest to our joint ventures amounting to Rs. Nil as compared to Rs. 19 million (US$ 427,158) in fiscal 2005 (fiscal 2004: Rs. 26 million (US$ 584,532)).

Sale of investments

During fiscal 2006, we sold certain investments to our joint ventures amounting to Rs. Nil as compared to Rs. 3,637 million (US$ 82 million) in fiscal 2005 (fiscal 2004: Rs. 220 million (US$ 5 million)). On the sales made to the joint ventures we accounted for a loss of Rs. Nil in fiscal 2006 as compared to Rs. 15 million (US$ 328,237) in fiscal 2005 (fiscal 2004: profit of Rs. 5.1 million (US$ 114,658)).

Purchase of investments

During fiscal 2006, we purchased certain investments from our joint ventures amounting to Rs.20 million (US$449,640) as compared to Rs.5,001 million (US$112 million) in fiscal 2005 (fiscal 2004: Rs. 1,241 million (US$ 28 million)).

Custodial charges received

During fiscal 2006, we received custodial charges from our joint ventures amounting to Rs. Nil as compared to Rs. 2 million (US$ 44,964) in fiscal 2005 (fiscal 2004: Rs.2 million (US$ 44,964)).

Fees

During fiscal 2006, we received cash management services fees from our joint ventures amounting to Rs. Nil as compared to Rs. 15 million (US$ 337,230) in fiscal 2005 (fiscal 2004: Rs. 20 million (US$ 449,640)).

Related party balances

The table below sets forth the balances payable to/receivable from related parties as on March 31, 2006:

Items / Related Party	Joint Ventures and Associates	Key Management Personnel(1)	Total
		(in millions)	
Deposits with ICICI Bank.......................	Rs.5	Rs.25	Rs.30
Advances.......................................	Nil	15	15
Investments of ICICI Bank......................	33	Nil	33
Investments of related parties in ICICI Bank....	Nil	4	4

The table below sets forth the balances payable to/receivable from related parties as on March 31, 2005:

Items / Related Party	Joint Ventures and Associates	Key Management Personnel(1)	Total
	(in millions)		
Deposits with ICICI Bank......................	Rs. 2	Rs. 37	Rs. 39
Advances......................................	1	19	20
Investments of ICICI Bank.....................	67	Nil	67
Investments of related parties in ICICI Bank...	Nil	2	2

The following balances payable to / receivable from the related parties are included in the balance sheet as on March 31, 2004:

Items / Related Party	Joint Ventures and Associates	Key Management Personnel(1)	Total
	(in millions)		
Deposits with ICICI Bank	Rs. 965	Rs. 23	Rs. 988
Advances	Nil	10	10
Investments of ICICI Bank	6,690	Nil	6,690
Investments of related parties in ICICI Bank	Nil	2	2
Receivables	252	Nil	252
Payables	11	Nil	11

(1) Whole-time directors of the Board and their relatives.

Joint ventures and associates

For fiscal 2006, TCW/ICICI Investment Partners LLC and TSI Ventures (India) Private Limited were classified as joint ventures whereas for fiscal 2005, Prudential ICICI Asset Management Company Limited and Prudential ICICI Trust Limited were classified as joint ventures. Prudential ICICI Asset Management Company Limited and Prudential ICICI Trust Limited have been accounted as "subsidiaries" as defined in AS 21 on "Consolidated Financial Statements" in fiscal 2006. For fiscal 2004 ICICI Prudential Life Insurance Company Limited, ICICI Lombard General Insurance Company Limited, Prudential ICICI Asset Management Company Limited, Prudential ICICI Trust Limited, and TCW/ICICI Investment Partners L.L.C have been classified as joint ventures.

Reconciliation of net profit between Indian GAAP and US GAAP

Our consolidated financial statements are prepared in accordance with

Indian GAAP, which differs, in certain significant aspects from US GAAP. The following discussion explains the significant adjustments to our consolidated profit after tax under Indian GAAP for the fiscal years ended March 31, 2006, 2005 and 2004 that would result from the application of US GAAP instead of Indian GAAP.

Consolidated profit after tax as per Indian GAAP for the year ended March 31, 2006 of Rs. 24.2 billion (US$ 544 million) was higher than the net income as per US GAAP of Rs. 20.0 billion (US$ 451 million) primarily due to additional charges to the income statement under US GAAP on account of higher provisions for loan losses of Rs. 5.2 billion (US$ 117 million) on restructured and other impaired loans and differences in the accounting for business combinations of Rs. 1.1 billion (US$ 24 million), including amortization of intangible assets created on acquisitions, offset in part by amortization of loan origination costs, net of fees, of Rs. 3.2 billion (US$ 71 million).

Consolidated profit after tax as per Indian GAAP for the year ended March 31, 2005 of Rs. 18.5 billion (US$ 416 million) was higher than the net income as per US GAAP of Rs. 8.5 billion (US$ 192 million) primarily due to additional charges to the income statement under US GAAP on account of higher provisions for loan losses of Rs. 14.7 billion (US$ 330 million) on restructured and other impaired loans and differences in accounting for derivative transactions under US GAAP of Rs. 1.5 billion (US$ 33 million), offset in part by amortization of loan origination costs, net of fees, of Rs. 1.9 billion (US$ 44 million).

Consolidated profit after tax as per Indian GAAP for the year ended March 31, 2004 of Rs. 15.8 billion (US$ 355 million) was higher than the net income as per US GAAP of Rs. 5.2 billion (US$ 117 million) primarily due to additional charges to the income statement under US GAAP on account of higher provisions for loan losses of Rs. 11.6 billion (US$ 260 million) on restructured and other impaired loans and differences in the accounting for business combinations of Rs. 1.3 billion (US$ 30 million), including amortization of intangible assets created on acquisitions, offset in part by amortization of loan origination costs, net of fees, of Rs. 1.3 billion (US$ 28 million).

For a further description of significant differences between Indian GAAP and US GAAP, a reconciliation of net income and stockholders equity to US GAAP and certain additional information required under US GAAP, see notes 22 and 23 to our consolidated financial statements included herein.

Critical Accounting Policies

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

We have identified three critical accounting policies: accounting for investments, provisions/write offs on loans and other credit facilities and transfer and servicing of assets.

Accounting for Investments

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

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

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

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

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

We compute the market value of our unquoted equity shares at the book value, if the latest balance sheet (which is not more than one year prior to the date of the valuation) is available or, at Rupee 1.

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

Provisions / write-offs on loans and other credit facilities

We classify our loans into standard, sub-standard, and doubtful assets based on the number of days an account is overdue. We create provisions on our secured and unsecured corporate loans classified as sub-standard and doubtful assets at rates prescribed by the Reserve Bank of India. Subject to the minimum provisioning levels

prescribed by the Reserve Bank of India, provision on homogeneous loans relating to retail assets is assessed on a portfolio level, on the basis of days past due.

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

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

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

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

Transfer and servicing of assets

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

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

Recently Issued Accounting Standards

Indian GAAP

Employee benefits

In March 2005, the Institute of Chartered Accountants of India issued the proposed Accounting Standard 15 (revised 2005) on "Employee Benefits". This standard specifies the actuarial assumptions and actuarial method to be applied, defines employees to include part time, casual and temporary employees, allows deferral of past service costs and requires provisions for compensated absences.

AS 15 (revised 2005) is applicable to us in respect of the accounting periods commencing on or after April 1, 2006. We are in the process of estimating the impact of the revised AS 15 on the profit and loss account for the year ending March 31, 2007.

Provisions on standard assets

The Reserve Bank of India has increased the requirement of general provisioning on standard loans (relating to personal loans and advances qualifying as capital market exposure and residential housing loans beyond Rs 2.0 million) to 1% compared to 0.40% earlier. These provisions would have to be made in a graded manner until March 2007 (i.e., 0.55% by June 30, 2006, 0.70% by

September 30, 2006, 0.85% by December 31, 2006, and 1% by March 31, 2007).

The impact of adoption of revised guidelines of provisions on standard asset cannot be predicted at this time because it will depend on levels of standard assets in the future.

Floating provisions

The Reserve Bank of India has issued guidelines on the creation and utilization of floating provisions by banks. The new guidelines require banks to create floating provisions as per a policy approved by the Board of Directors. Further, the guidelines allow utilization of these floating provisions only in certain exceptional circumstances with the prior permission of the Board of Directors and the Reserve Bank of India.

Investment in venture capital funds

The Reserve Bank of India has issued guidelines on investment in venture capital funds. The new guidelines require quoted equity shares/bonds/units of venture capital funds in the bank's portfolio to be held under available for sale category and marked to market preferably on a daily basis, but at least on a weekly basis in line with valuation norms for other equity shares as per existing instructions. Banks' investments in unquoted shares/bonds/units of venture capital funds made after issuance of these guidelines will be classified under held to maturity category for an initial period of three years and will be valued at cost during this period. For the investments made before issuance of these guidelines, the classification would be done as per the existing norms. After three years, the unquoted units/shares/bonds should be transferred to the available for sale category and valued as per the guidelines.

US GAAP

Fair value measurement

In September 2006, the FASB issued Statement No. 157, Fair value measurements. It establishes a single authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair value measurements. The Statement applies only to fair value measurements that are already required or permitted and is expected to increase the consistency of those measurements. The Statement is effective for fair-value measures already required or permitted by other standards for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years.

Accounting for uncertainty in income taxes

In July 2006, the FASB issued the final Interpretation No. 48, Accounting for Uncertainty in Income Taxes, (FIN 48). FIN 48 applies to all tax positions that relate to income taxes subject to Financial Accounting Standard Board Statement No. 109, Accounting for Income Taxes, (FAS 109). This includes tax positions considered to be "routine" as well as those with a high degree of uncertainty. FIN 48 utilizes a two-step approach for evaluating tax provisions. Recognition (step one) occurs when an enterprise concludes that a tax provision, based solely on its technical merits, is more likely than not to be sustained upon examination. Measurement (step two) is only addressed if step one has been

satisfied (i.e., the position is more likely than not to be sustained). Under step two, the tax benefit is measured as the largest amount of benefit, determined on a cumulative probability basis, that is more likely than not to be realized upon ultimate statement. We are in the process of estimating the impact of FIN 48 on the profit and loss account for the year ending March 31, 2007.

Taxes Collected from Customers and Remitted to Governmental Authorities

In June 2006, the FASB released EITF Issue No. 06-3 on "How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement`. The Task Force reached a consensus that the presentation of taxes within the scope of Issue on either a gross basis (included in revenues and costs) or a net basis (excluded from revenues) is an accounting policy decision that should be disclosed pursuant to Opinion 22. An entity is not required to reevaluate its existing policies related to taxes assessed by a governmental authority as a result of this consensus. In addition, for any such taxes that are reported on a gross basis, an entity should disclose the amounts of those taxes in interim and annual financial statements for each period for which an income statement is presented if those amounts are significant. The disclosure of those taxes can be done on an aggregate basis. The consensuses in this Issue should be applied to financial reports for interim and annual reporting periods beginning after December 15, 2006.

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Accounting for servicing of financial assets

In March 2006, the FASB issued FASB Statement No. 156, Accounting for servicing of financial assets, which amends FASB Statement No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, with respect to the accounting for separately recognized servicing assets and servicing liabilities. This Statement requires an entity to recognize a servicing asset or servicing liability each time it undertakes an obligation to service a financial asset by entering into a servicing contract in any of the specified conditions. It requires all separately recognized servicing assets and servicing liabilities to be initially measured at fair value, if practicable. It permits an entity to use either the amortization method or the fair value measurement method for subsequent measurement of the asset or liability. This Statement is applicable for the first fiscal year which begins after September 15, 2006. We are currently considering the impact that adoption of SFAS No. 156.

Hybrid financial instruments

In February 2006, the Financial Accounting Standards Board ('FASB') issued statement No. 155 `Accounting for Certain Hybrid Financial Instruments.'('SFAS No. 155'). SFAS No. 155 permits fair value measurement for any hybrid financial instrument that contains an embedded derivative that would otherwise require bifurcation. It allows an irrevocable election to be made to initially and subsequently measure such a hybrid financial instrument at fair value, with changes in fair value recognized through income. Such election needs to be supported by concurrent documentation. SFAS No. 155 is effective for financial years beginning after 15 September 2006, with early adoption permitted. We are currently considering the impact of adoption of SFAS No. 155.

Other-than-temporary impairments of securities

In November 2005 the FASB released FASB Staff Position FSP FAS 115-1 'The

Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments' which supersedes the guidance provided by EITF 03-1 'The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments'. FSP FAS 115-1 clarifies when an investment is considered impaired, whether that impairment is other than temporary, and the measurement of an impairment loss. FSP FAS 115-1 is effective for fiscal years beginning after December 15, 2005.

Accounting changes and error corrections

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections" ("SFAS No. 154") which replaces Accounting Principles Board ("APB") Opinions No. 20 "Accounting Changes" and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements-An Amendment of APB Opinion No. 28". SFAS No. 154 applies to all voluntary changes in accounting principles and provides guidance on the accounting for and reporting of accounting changes and error corrections. It establishes retrospective application, or the latest practicable date, as the required method for reporting a change in accounting principles and the reporting of a correction of an error. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005.

Share based payment

On December 16, 2004, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 123 (revised 2004), Share-Based Payment, which is a revision of FASB Statement No. 123, Accounting for Stock-Based Compensation. Statement 123(R) supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees, and amends FASB Statement No. 95, Statement of Cash Flows. Generally, the approach in Statement 123(R) is similar to the approach described in Statement 123. However, Statement 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values.

SFAS No. 123(R) would be applicable to all awards granted, modified or settled in the first reporting period under US GAAP that begins after June 15, 2005.

Statement 123(R) permits public companies to adopt its requirements using one of two methods:

A "modified prospective" method in which compensation cost is recognized beginning with the effective date (a) based on the requirements of Statement 123(R) for all share-based payments granted after the effective date and (b) based on the requirements of Statement 123 for all awards granted to employees prior to the effective date of Statement 123(R) that remain unvested on the effective date.

A "modified retrospective" method which includes the requirements of the modified prospective method described above, but also permits entities to restate based on the amounts previously recognized under Statement 123 for purposes of pro forma disclosures either (a) all prior periods presented or (b) prior interim periods of the year of adoption.

The company plans to adopt Statement 123(R) using the modified-prospective method. As permitted by Statement 123, the company currently accounts for share-based payments to employees using Opinion 25's intrinsic value method and, as such, generally recognizes no compensation cost for employee stock options.

The impact of adoption of Statement 123(R) cannot be predicted at this time because it will depend on levels of share-based payments granted in the future. However, had we adopted Statement 123(R) in prior periods, the impact of that standard would have approximated the impact of Statement 123 as described in the disclosure of pro forma net income and earnings per share in our consolidated financial statements.

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MANAGEMENT

Directors and Executive Officers

Our Board of Directors, consisting of 17 members at August 31, 2006, is responsible for the management of our business. Our organizational documents provide for a minimum of three directors and a maximum of 21 directors, excluding the government director and the debenture director (defined below), if any. We may, subject to the provisions of our organizational documents and the Companies Act, change the minimum or maximum number of directors by a resolution which is passed at a general meeting by a majority of the present and voting shareholders. In addition, under the Banking Regulation Act, the Reserve Bank of India may require us to convene a meeting of our shareholders for the purposes of appointing new directors to our Board of Directors.

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

Pursuant to the provisions of the Companies Act, at least two-thirds of the total number of directors, excluding the government director and the debenture director, are subject to retirement by rotation. One-third of these directors must retire from office at each annual meeting of shareholders. A retiring director is eligible for re-election. Pursuant to the provisions of the Banking Regulation Act, none of the directors other than wholetime directors may hold office continuously for a period exceeding eight years. Pursuant to the Reserve

Bank of India guidelines, a person would be eligible for appointment as director if he or she is between 35 and 70 years of age.

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

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

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

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

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

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

In order to comply with the provisions of the Companies Act and our organizational documents, Ms. Lalita D. Gupte and Ms. Kalpana Morparia will be subject to retirement by rotation if at any time the number of non-rotational directors exceeds one-third of the total number of directors. If they are re-appointed as directors immediately upon retirement by rotation, they will continue to hold their offices as wholetime directors, and the retirement by

rotation and re-appointment shall not be deemed to constitute a break in their appointment. Our other executive officers may hold office until they retire, unless they are discharged earlier by us.

Our Board of Directors had the following members at August 31, 2006:

Name, Designation and Profession	Age	Date of Appointment	Other appoint
Mr. Narayanan Vaghul Chairman Chairman: Board Governance & Remuneration Committee Credit Committee Customer Service Committee Risk Committee Profession: Development Banker	70	March 27, 2002	Chairman Asset Reconstruction Co (India) Limited GIVE Foundation Himatsingka Seide Limit ICICI Knowledge Park Mahindra World City Dev Mahindra Industrial Par Pratham India Education Director Air India Limited Air India Air Transport Air India Engineering S Apollo Hospitals Enterp Azim Premji Foundation Hemogenomics Private Li Mahindra & Mahindra Lim Mittal Steel Caribbean Mittal Steel Company NV Nicholas Piramal India Wipro Limited

Name, Designation and Profession	Age	Date of Appointment	Other appoint
Mr. Sridar Iyengar Chairman: Audit Committee Profession: Business Advisor	59	April 30, 2005	Director American India Foundati Foundation for Democrat Infosys Technologies Li Mango Analytics Inc. Onmobile Asia Pacific P Progeon Limited Rediff.com India Limite Rediff Holdings Inc. TiE Inc.
Mr. Ram Kishore Joshi Chairman-cum-Managing Director Profession: Company Executive	59	October 13, 2005	Chairman-cum-Managing D General Insurance Corpo India Chairman GIC Asset Management Co GIC Housing Finance Lim

Name, Designation and Profession	Age	Date of Appointment	Other appoint
			Loss Prevention Associa Director Andhra Pradesh Paper Mi Deposit Insurance and C Export Credit Guarantee Indian Register of Ship Kenindia Assurance Comp Life Insurance Corporat The New India Assurance
Mr. Lakshmi Niwas Mittal Profession: Industrialist	56	May 3, 2002	Director Artha Limited Galmatias Limited LNM Capital Limited LNM Internet Ventures L Lucre Limited Mittal Steel Company N. Mittal Steel Company Li Mittal Steel South Afri Mittal Steel USA Inc. Nestor Limited Nuav Limited ONGC Mittal Energy Limi ONGC Mittal Energy Serv Pratham UK Limited Tommyfield Limited President Ispat Inland U.L.C.
Mr. Narendra Murkumbi Profession: Industrialist	36	January 20, 2006	Managing Director Shree Renuka Sugars Lim Director Murkumbi Bioagro Privat Murkumbi Industries Pri Director & CEO Renuka Commodities DMCC

Name, Designation and Profession	Age	Date of Appointment	Other appoint
Mr. Anupam Pradip Puri Profession: Management Consultant	60	May 3, 2002	Director Dr. Reddy's Laboratorie Mahindra & Mahindra Lim Tech Mahindra Limited (Telecom Limited)
Mr. Vinod Rai Special Secretary (Financial Sector) Ministry of Finance, Government of India Profession: Government Service	58	January 3, 2003	Director Bank of Baroda IDBI Limited Indian Infrastructure F Infrastructure Developm Limited Small Industries Develo India

Mr. Mahendra Kumar Sharma Chairman: Fraud Monitoring Committee Share Transfer & Shareholders'/Investors' Grievance Committee Alternate Chairman: Audit Committee Profession: Company Executive	59	January 31, 2003	Vice-Chairman Hindustan Lever Limited Director Hind Lever Trust Limite Lever Associated Trust Unilever India Exports Limited) Unilever Nepal Limited
Mr. Priya Mohan Sinha Profession: Professional Manager	66	January 22, 2002	Chairman Bata India Limited Director Azim Premji Foundation Indian Oil Corporation Lafarge India Private L Wipro Limited
Prof. Marti Gurunath Subrahmanyam Profession: Professor	60	May 3, 2002	Director Infosys Technologies Li International School of Business Management Lim Nomura Asset Management Supply Chainge Inc. The Animi Offshore Fund The Animi Offshore Conc Usha Communication Inc. Director -- Board of Go National Institute of Securities Markets Director -- Advisory Bo Metahelix Life Sciences Microcredit Foundation

Name, Designation and Profession	Age	Date of Appointment	Other appoint
Mr. T.S. Vijayan Profession: Company Executive	53	April 30, 2005	Chairman Life Insurance Corporat Non-executive Vice Chai LIC Housing Finance Lim Life Insurance Corporat LIC (Lanka) Limited LIC (Mauritius) Offshor LIC Mutual Fund Asset M Limited (formerly Jeeva Management Company Limi Deputy Chairman LIC International B.S.C Director General Insurance Corpo Kenindia Assurance Comp

Name, Designation and Profession	Age	Date of Appointment	Other appoint
			LIC HFL Care Homes Limi National Commodity & De Limited Saudi Indian Insurance
Mr. V. Prem Watsa Profession: Company Executive	56	January 29, 2004	Chairman & CEO Fairfax Financial Holdi Chairman Crum & Foster Holdings Northbridge Financial C TIG Holdings, Inc. Director Lindsey Morden Group In Odyssey Re Holdings Cor
Mr. Kundapur Vaman Kamath Managing Director & CEO Chairman: Committee of Directors Profession: Company Executive	58	April 17, 1996	Chairman ICICI Bank Canada ICICI Bank Eurasia Limi (formerly Investment C Company) ICICI Bank UK Limited ICICI Lombard General I ICICI Prudential Life I ICICI Securities Limite ICICI Venture Funds Man Limited Prudential ICICI Asset Director Indian Institute of Man Visa International Asia Director -- Board of Go Indian Institute of Inf Member -- Governing Boa Indian School of Busine

Name, Designation and Profession	Age	Date of Appointment	Other appoint
Ms. Lalita Dileep Gupte Joint Managing Director Chairperson: Asset Liability Management Committee Profession: Company Executive	57	September 12, 1994	Director ICICI Bank Canada ICICI Bank Eurasia Limi Investment Credit Bank ICICI Bank UK Limited ICICI Lombard General I ICICI Prudential Life I ICICI Securities Limite ICICI Venture Funds Man Limited
Ms. Kalpana Morparia Joint Managing Director Profession: Company Executive	57	May 3, 2002	Chairperson ICICI Investment Manage Director ICICI Lombard General I Limited ICICI Prudential Life I

			ICICI Securities Limite ICICI Venture Funds Man Limited Prudential ICICI Asset
Ms. Chanda Kochhar Deputy Managing Director Profession: Company Executive	44	April 1, 2001	Chairperson ICICI Home Finance Comp Director ICICI Prudential Life I
Dr. Nachiket Mor Deputy Managing Director Profession: Company Executive	42	April 1, 2001	Director Care, USA ICICI Home Finance Comp ICICI Knowledge Park ICICI Securities Limite ICICI Venture Funds Man Limited Pratham India Education

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Our executive officers at August 31, 2006 were as follows:

Name	Age	Designation and Respon- sibilities	Years of work experience	Total remuneration in fiscal 2006(1) (in Rupees)	Bonus for fiscal 2006(2) (Rupees)	stock options granted in fiscal 2006(4)	stock options granted in fiscal 2007(6)(
Mr. K.V. Kamath	58	Managing Director & CEO	35	19,564,981	5,215,200	250,000	250,000
Ms. Lalita D. Gupte	57	Joint Managing Director - International Banking	35	14,894,164	3,911,400	165,000	165,000
Ms. Kalpana Morparia	57	Joint Managing Director - Corporate Centre	31	10,511,539	3,180,000	150,000	165,000
Ms. Chanda D. Kochhar	44	Deputy Managing Director - Retail & Corporate Banking	22	9,003,983	2,385,000	125,000	125,000
Dr. Nachiket Mor	42	Deputy Managing Director - Rural Banking & Proprietary Trading	19	7,389,013	2,385,000	125,000	125,000

Mr. Bhargav Dasgupta	40	Senior General Manager	16	4,781,874	2,640,000	75,000	75,000
Mr. Sanjiv Kerkar	55	Senior General Manager	31	7,231,753	2,266,200	37,500	25,000
Ms. Vishakha Mulye	37	Chief Financial Officer and Treasurer	13	4,330,531	2,400,000	75,000	75,000
Ms. Ramni Nirula	54	Senior General Manager	30	5,295,326	2,746,800	37,500	40,000
Ms. Madhabi Puri-Buch	40	Senior General Manager	17	5,054,338	2,760,000	75,000	75,000
Mr. K. Ramkumar	45	Senior General Manager	21	4,999,981	2,640,000	75,000	75,000
Mr.V. Vaidyanathan	38	Senior General Manager	16	6,172,241	2,760,000	75,000	75,000
Mr. Pravir Vohra	52	Senior General Manager	31	4,964,145	2,400,000	37,500	40,000

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(1) Including ICICI Bank's contribution to the superannuation fund, provident fund and leave travel allowance and excluding bonus payable for fiscal 2005 which was paid in fiscal 2006. Includes aggregate leave travel allowance availed during the year: K.V. Kamath - Rs 2,050,000 (US$46,088), Lalita D. Gupte - Rs.4,050,000 (US$91,052), Kalpana Morparia - Rs.1,250,000 (US$28,103), Chanda D. Kochhar - Rs.2,187,500 (US$49,179), Nachiket Mor - Rs.Nil (US$Nil) and all other executive officers Rs.5,937,250 (US$133,481) and leave encashment : K.V. Kamath - Rs.1,230,000 (US$27,653), Lalita D. Gupte - Rs.676,500 (US$15,209), Kalpana Morparia - Rs.550,000 (US$12,365) and Chanda D. Kochhar - Rs.12,500 (US$281), Nachiket Mor - Rs.Nil (US$Nil) and all other executive officers Rs.1,133,651 (US$25,487).

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

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

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

(5) In accordance with the Scheme of Amalgamation, directors and employees of ICICI have received stock options in ICICI Bank equal to half the number of the outstanding unexercised stock options they held in ICICI with the exercise price of these options being equal to twice the

exercise price for the ICICI stock options exchanged. The stock options

mentioned above include ICICI stock options converted into ICICI Bank stock options on this basis.

(6) Through August 31, 2006.

(7) Ms. Madhabi Puri Buch was granted 50,000 stock options of 3i Infotech Limited in her capacity as a Director of 3i Infotech Limited. The exercise price of each option is Rs. 185. The options vest over three years from the date of grant. The last date for exercise of the options is April 10, 2016.

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

Ms. Lalita D. Gupte has a Bachelor of Arts degree and also holds a Masters degree in management science from the Jamnalal Bajaj Institute of Management Studies, University of PlaceNameMumbai. She joined ICICI in 1971, where she worked in the areas of project finance, leasing, resources and treasury, and credit operations. She joined the Board of Directors of ICICI in June 1994 as Executive Director and was designated as Deputy Managing Director in 1996. In April 1999, she was designated as the Joint Managing Director and Chief Operating Officer of ICICI. From July 2001, she was designated as Joint Managing Director and Chief Operating Officer - International Business. Ms. Gupte was a non-wholetime director on the board of ICICI Bank from September 1994. Effective May 3, 2002, our board appointed Ms. Gupte as Joint Managing Director. Our board, shareholders and Reserve Bank of India have approved her re-appointment as Joint Managing Director until October 31, 2006. She is currently in charge of the international operations.

Ms. Kalpana Morparia holds Bachelor's degrees in science and law. She worked in the legal department of ICICI from 1975 to 1994. From 1996, when she was designated as General Manager, she was in charge of the legal, planning, treasury and corporate communications departments. In 1998, she was designated a Senior General Manager of ICICI. She joined the Board of Directors of ICICI in May 2001. Effective May 3, 2002 our board appointed Ms. Morparia as an Executive Director. Effective February 1, 2004, our board designated her as Deputy Managing Director. Effective April 29, 2006, our board elevated her as Joint Managing Director. She is currently in charge of the Corporate Centre which includes transaction processing and operations for wholesale, retail, rural and international banking, strategy, risk management, compliance, audit, legal, finance, treasury, secretarial, human resources management, corporate communications and facilities management and administration functions. Our board, shareholders and the Reserve Bank of India have approved her re-appointment as a wholetime director until May 31, 2007.

Ms. Chanda D. Kochhar holds a management degree from the Jamnalal Bajaj Institute of Management Studies, Mumbai and a degree in cost and works accountancy from the Institute of Cost and Works Accountants of India. She started her career in 1984 with ICICI in its project finance department and has worked in the areas of corporate credit, infrastructure financing, e-commerce, strategy and retail finance. Ms. Kochhar was designated a Senior General Manager of ICICI in 2000 and was in charge of its retail business over the past six years. She was appointed to our board as

an Executive Director in April 2001. Effective April 29, 2006, our board elevated her as Deputy Managing Director. She is currently responsible for retail and corporate banking. Our board and shareholders have approved her re-appointment as a wholetime director until March 31, 2011. The Reserve Bank of India has approved her re-appointment until March 31, 2009.

Dr. Nachiket Mor holds a post-graduate diploma in finance management from the Indian Institute of Management, Ahmedabad and a Doctorate of Philosophy in Financial Economics from the University of PlaceNamePennsylvania, Philadelphia, USA. He started his career as an officer in the corporate planning and policy cell of ICICI in 1987. He has worked in the areas of project and corporate finance, corporate planning and treasury. Dr. Mor was designated a Senior General Manager of ICICI in 2000 and was in charge of treasury. He was appointed to

our Board of Directors as an Executive Director in April 2001. Effective April 29, 2006, our board elevated him as Deputy Managing Director. He is currently responsible for rural banking, government banking, structural rate risk management and proprietary trading. Our board and shareholders have approved his re-appointment as a wholetime director until March 31, 2011. The Reserve Bank of India has approved his re-appointment until March 31, 2009.

Mr. Bhargav Dasgupta is an engineer and has a post graduate degree in management from the Indian Institute of Management, Bangalore. He joined ICICI in 1992 in the project finance department. In 2003 he was designated as Senior General Manager of ICICI Bank. Currently, he is responsible for international banking.

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

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

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

Ms. Ramni Nirula is a post-graduate in management studies from Delhi University. She joined ICICI in 1975 and held various positions in the northern regional office of ICICI. She was designated as Senior General Manager of ICICI in fiscal 2000. She was the Managing Director & CEO of ICICI Securities from January 1, 2003 to January 31, 2004. Thereafter she was responsible for government banking, rural and micro-banking and agri-business. In November 2005, she took over as head of corporate banking.

Mr. Sanjiv Kerkar is a chemical engineer and holds a management degree from the Jamnalal Bajaj Institute of Management Studies, University of Mumbai. He worked with ICICI from 1979 to 1993. Mr. Kerkar worked with Asian Finance and Investment Company from 1993 to 1996. In 1996, he re-joined ICICI and was designated as Senior General Manager of ICICI in 1998. Currently, Mr. Kerkar heads the Organizational Excellence Group, which is responsible for our quality initiatives.

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

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

In September 2006, Ms. Madhavi Soman joined ICICI Bank as Senior General Manager responsible for rural banking and Mr. Sashidharan Menon joined ICICI Bank as Senior General Manager responsible for internal audit.

Corporate Governance

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

Our corporate governance framework is based on an effective independent board, the separation of the board's supervisory role from the executive management and the constitution of board committees, generally comprising a

majority of independent directors and chaired by an independent director, to oversee critical areas and functions of executive management.

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

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

- approving corporate philosophy and mission;
- participating in the formulation of strategic and business plans;
- reviewing and approving financial plans and budgets;
- monitoring corporate performance against strategic and business plans, including overseeing operations;

- ensuring ethical behavior and compliance with laws and regulations;
- reviewing and approving borrowing limits;
- formulating exposure limits; and
- keeping shareholders informed regarding plans, strategies and performance.

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

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

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

Audit Committee

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

The Audit Committee provides direction to the audit function and monitors the quality of the internal and statutory audit. The responsibilities of the Audit Committee include overseeing the financial reporting process to ensure fairness, sufficiency and credibility of financial statements, recommendation of appointment and removal of central and branch statutory auditors and chief internal auditor and fixation of their remuneration, approval of payments to statutory auditors for other services rendered by them, review of functioning of Whistle Blower Policy, review of the quarterly financial statements before submission to Board, review of the adequacy of internal control systems and the internal audit function, review of compliance with the inspection and audit reports and reports of statutory auditors, review of the findings of internal investigations, review of statement of significant related party

transactions, review of management letters/letters of internal control issued by statutory auditors, discussion on the scope of audit with external auditors and examination of reasons for substantial defaults, if any, in payment to stakeholders. The Audit Committee provides direction to the internal audit function and monitors the quality of internal and statutory audit.

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

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

Board Governance & Remuneration Committee

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

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

Credit Committee

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

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

Customer Service Committee

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

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

Fraud Monitoring Committee

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

The functions of the Fraud Monitoring Committee include monitoring and review of all instances of frauds involving Rs.10.0 million (US$224,820) and above.

Risk Committee

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

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

Share Transfer & Shareholders'/Investors' Grievance Committee

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

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

Committee of Directors

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

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

Asset-Liability Management Committee

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

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

Code of Ethics

We have adopted a Code of Business Conduct and Ethics for our directors and all our employees, which is filed as an exhibit to this report. In fiscal 2006, we have not made any amendments to any provision of the Code that is applicable to our executive officers, nor have we granted a waiver from any provision of the Code to any of our executive officers.

Principal Accountant Fees and Services

The total fees (excluding service tax and out of pocket expenses) paid to

our principal accountant relating to audit of consolidated financial statements for fiscal 2005 and fiscal 2006 and the fees for other professional services billed in fiscal 2005 and fiscal 2006 are as follows:

	Year ended March 31,				Conven
					Year e
	2005		2006		
	(in millions)				
Audit					
Audit of ICICI Bank Limited and its subsidiaries	Rs.s	27.8	Rs.	38.5	US
Audit-related services					
Opinion on non-statutory accounts presented in					
Indian Rupees		6.7		7.9	
Others		--		6.0	
Sub-total		34.5		52.4	
Non-audit services					
Tax services					
Tax compliance		1.1		1.2	
Other services		--		4.9	
Sub-total		1.1		6.1	
Total		35.6		58.5	

Fees for "other services" under the non-audit services category are principally fees related to certification services. Our Audit Committee approved the fees paid to our principal accountant relating to audit of consolidated financial statements for fiscal 2006 and fees for other professional services billed in fiscal 2006. Our Audit Committee pre-approves all significant assignments undertaken for us by our principal accountant.

Summary Comparison of Corporate Governance Practices

The following is a summary comparison of significant differences between our corporate governance practices and those required by the NYSE for US issuers.

Independent directors. A majority of our board are independent directors, as defined under applicable Indian legal requirements. Under these requirements, directors are not independent if they have any material pecuniary relationship or transactions with us, our management or our subsidiaries. We have not made a determination as to whether our directors would be considered independent under the NYSE rules. Though the judgment on independence must be made by our board, there is no requirement that our board affirmatively make such determination, as required by the NYSE rules. Further, one of our directors is a representative of the Indian government, as required by the terms of the loan and guarantee facilities provided by the Indian government.

Non-management directors meetings. Though there is no such requirement

under applicable Indian legal requirements, our non-management directors meet separately before each board meeting.

Board Governance and Remuneration Committee and the Audit Committee. The members of our Board Governance and Remuneration Committee are independent, as defined under applicable Indian legal requirements. All members of our Audit Committee are independent under Rule 10A-3 under the Exchange Act. The constitution and main functions of these committees as approved by our board are described above and comply with the spirit of the NYSE requirements for US issuers.

Corporate Governance Guidelines. Under NYSE rules, US issuers are required to adopt and disclose corporate governance guidelines addressing matters such as standards of director qualification, responsibilities of directors, director compensation, director orientation and continuing education, management succession and annual performance review of the Board of Directors. As a foreign private issuer, we are not required to adopt such guidelines.

Compensation and Benefits to Directors and Officers

Remuneration

Under our organizational documents, each non-wholetime director, except the government director, is entitled to receive remuneration for attending each meeting of our board or of a board committee. The amount of remuneration payable to non-wholetime directors is set by our board from time to time in accordance with limitations prescribed by the Indian Companies Act or the Government of India. The remuneration for attending each board or committee meeting is currently fixed at Rs.20,000 (US$450). In addition, we reimburse directors for travel and related expenses in connection with board and committee meetings and related matters. If a director is required to perform services for us beyond attending meetings, we may remunerate the director as determined by our Board of Directors and this remuneration may be either in addition to or as substitution for the remuneration discussed above. We have not paid any remuneration to non-wholetime directors other than the remuneration for attending each meeting of our board or of a board committee. Non-wholetime directors are not entitled to the payment of any benefits at the end of their term of office.

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

Mr. K.V. Kamath, Managing Director & CEO...........	Rs. 600,000 - Rs.1,050,000 (US$ 13,489 to U 23,606) per month
Ms. Lalita D. Gupte, Joint Managing Director.......	Rs. 400,000 - Rs. 900,000 (US$ 8,993 to US$ month
Ms. Kalpana Morparia, Joint Managing Director......	Rs. 300,000 - Rs. 900,000 (US$ 6,745 to US$ month
Ms. Chanda D. Kochhar, Deputy Managing Director....	Rs. 200,000 - Rs. 500,000 (US$ 4,496 to US$ month
Dr. Nachiket Mor, Deputy Managing Director.........	Rs. 200,000 - Rs. 500,000 (US$ 4,496 to US$ month

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

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

Where accommodation is not provided, each of the wholetime directors is eligible for a house rent allowance of Rs. 50,000 (US$1,124) per month and maintenance of accommodation including furniture, fixtures and furnishings, as may be provided by ICICI Bank.

The total compensation paid by ICICI Bank to its wholetime directors and executive officers, Mr. K.V. Kamath, Ms. Lalita D. Gupte, Ms. Kalpana Morparia, Ms. Chanda D. Kochhar, Dr. Nachiket Mor, Mr. Bhargav Dasgupta, Mr. K. Ramkumar, Ms. Madhabi Puri-Buch, Mr. Nagesh Pinge (who has since left the organization), Mr. Pravir Vohra, Ms. Ramni Nirula, Mr. Sanjiv Kerkar, Mr. V. Vaidyanathan and Ms. Vishakha Mulye in fiscal 2006, including bonus for fiscal 2005, was Rs. 143.7 million (US$ 3.2 million).

Bonus

Each year, our Board of Directors awards discretionary bonuses to employees and wholetime directors on the basis of performance and seniority. The performance of each employee is evaluated through a performance

management appraisal system. The aggregate amount paid by ICICI Bank for bonuses to all eligible employees and wholetime directors for fiscal 2006 was Rs. 1.84 billion (US$ 40.0 million). This amount was paid in fiscal 2007.

Employee Stock Option Scheme

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

aggregate number of options that could be granted under the employee stock option scheme to 5.0% of our issued capital as on the date of grant. The shareholders approved the modification at our annual general meeting held on September 20, 2004.

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

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

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

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

Date of grant	Number of options granted	Exerci
February 21, 2000...	1,713,000	Rs. 171.9
April 26, 2001..	1,580,200	170.0
March 27, 2002..	3,155,000	120.3
April 25, 2003..	7,338,300	132.0
July 25, 2003...	147,500	157.0

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Date of grant	Number of options granted	Exerci
October 31, 2003...	6,000	222.4
April 30, 2004...	7,539,500	300.1
September 20, 2004...	15,000	275.2
April 30, 2005...	4,906,180	359.9
August 20, 2005..	70,600	498.2
January 20, 2006...	5,000	569.5
April 29, 2006...	6,267,400	576.8

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

Date of grant	Number of options granted	Exerci
August 3, 1999...	2,323,750	Rs. 85.5
April 28, 2000...	2,902,500	133.4
November 14, 2000..	20,000	82.9
May 3, 2001..	3,145,000	82.0
August 13, 2001..	60,000	52.5
March 27, 2002...	6,473,700	60.2

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

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

The following table sets forth certain information regarding the options granted by ICICI Bank (including options granted by ICICI adjusted in accordance with the Scheme of Amalgamation) at August 31, 2006.

Particulars	ICICI Ban

Options granted		40,20
Options vested		22,54
Options exercised		15,37
Options forfeited/lapsed		4,32
Extinguishment or modification of options		
Amount realized by sale of options	Rs.	2,395,03
Total number of options in force		20,50

ICICI Prudential Life Insurance Company and ICICI Lombard General Insurance Company each have an employee stock option plan for their respective wholetime directors and employees

Loans

ICICI Bank has internal rules and regulations to grant loans to employees and wholetime directors to acquire certain assets such as property, vehicles and other consumer durables. ICICI Bank's loans to employees have been made at interest rates ranging from 2.5% to 3.5% per annum and are repayable over fixed periods of time. The loans are generally secured by the assets acquired by the employees. Pursuant to the Banking Regulation Act, ICICI Bank's non-whole time directors are not eligible for any loans. At year-end fiscal 2006, there were loans of Rs.4.7 billion (US$105.7 million), compared to loans of Rs.4.5 billion (US$101.2 million) at year-end fiscal 2005, outstanding to ICICI Bank employees. This amount included loans of Rs.57 million (US$1.3 million), compared to Rs.70 million (US$1.6 million) at year-end fiscal 2005, to certain of its directors and executive officers (including employees who became executive officers during fiscal 2006), made on the same terms, including as to interest rates and collateral, as loans to other employees.

Gratuity

Under Indian law, ICICI Bank is required to pay a gratuity to employees who retire or resign after at least five years of continuous service. ICICI Bank makes contributions to three separate gratuity funds, for employees inducted from ICICI, employees inducted from Bank of Madura and employees of ICICI Bank other than employees inducted from ICICI and Bank of Madura.

The gratuity funds for employees inducted from ICICI and Bank of Madura are separate gratuity funds managed by ICICI Prudential Life Insurance Company Limited. Actuarial valuation of the gratuity liability is determined by an actuary appointed by ICICI Prudential Life Insurance Company Limited. The investments of the funds are made according to rules prescribed by the government of India. The accounts of the funds are audited by independent auditors. The total corpus of these funds at year-end fiscal 2006 based on their unaudited financial statements was Rs.493 million (US$11.1 million).

The gratuity fund for employees of ICICI Bank other than employees inducted from ICICI and Bank of Madura, is administered by the Life Insurance Corporation of India. In accordance with the gratuity fund's rules, actuarial valuation of gratuity liability is calculated based on certain assumptions regarding rate of interest, salary growth, mortality and staff turnover. The total corpus of the funds at year-end fiscal 2006 was Rs.281million (US$6.3 million) compared to Rs.184 million (US$ 4.1 million) at year-end fiscal 2005.

Superannuation Fund

ICICI Bank contributes 15.0% of the total annual salary of each employee to a superannuation fund for ICICI Bank employees. ICICI Bank's employees get an option on retirement or resignation to receive one-third of the total balance and a monthly pension based on the remaining two-third balance. In the event of death of an employee, his or her beneficiary receives the remaining accumulated balance of 66.7%. ICICI Bank also gives a cash option to its employees, allowing them to receive the amount contributed by ICICI Bank in their monthly salary during their employment. From fiscal 2006, the superannuation fund is being administered by Life Insurance Corporation of India and ICICI Prudential Life Insurance Company Limited. Employees have the option to retain the existing balance with Life Insurance Corporation of India or seek a transfer to ICICI Prudential Insurance Company Limited. The total corpus of the superannuation fund was Rs.919 million (US$20.7 million) at year-end fiscal 2006 compared to Rs.812 million (US$18.3 million) at year-end fiscal 2005.

Provident Fund

ICICI Bank is statutorily required to maintain a provident fund as a part of its retirement benefits to its employees. There are separate provident funds for employees inducted from Bank of Madura (other than those employees who have opted for pensions), and for other employees of ICICI Bank. These funds are managed by in-house trustees. Each employee contributes 12.0% of his or her basic salary (10.0% for clerks and sub-staff of Bank of Madura) and ICICI Bank contributes an equal amount to the funds. The investments of the funds are made according to rules prescribed by the government of India. The accounts of the funds are audited by independent auditors. The total corpuses of the funds for employees inducted from Bank of Madura, and other employees of ICICI Bank at year-end fiscal 2006 were Rs. 396.6 million (US$ 8.9 million), and Rs.2.36 billion (US$ 53.1 million) respectively. ICICI Bank made aggregate contributions of Rs. 417 million (US$9.4 million) to these funds during fiscal 2006, compared to Rs.280 million (US$ 6.3 million) in fiscal 2005.

Pension Fund

Out of the employees inducted from Bank of Madura and employed with ICICI Bank at year-end fiscal 2006, 296 employees had opted for pensions and 680 employees had opted for a provident fund. For employees who opted for a provident fund, ICICI Bank's contribution of 12.0% of his or her basic salary (10% for clerks and sub-staff) is

credited to the provident fund every month. For employees who opted for pensions, ICICI Bank's contribution of 12.0% of his or her basic salary (10% for clerks and sub-staff) is credited to the pension fund every month. These funds are managed by in-house trustees. The investments of the funds are made according to rules prescribed by the government of India. The accounts of the fund are audited by independent auditors. The employees who opted for pensions are entitled to a monthly pension from the day after their retirement. ICICI Bank also gives a cash option to employees, allowing them to receive the present value of one-third of their monthly pension in total satisfaction. Upon death of an employee, family members are entitled to payment of a family pension pursuant to the rules in this regard. The corpus of the fund at year-end fiscal 2006 was Rs.1.03 billion (US$23.2 million), compared to Rs.923 million (US$20.8 million) at year-end fiscal 2005.

Interest of Management in Certain Transactions

Except as otherwise stated in this annual report, no amount or benefit has been paid or given to any of our directors or executive officers.

OVERVIEW OF THE INDIAN FINANCIAL SECTOR

The information in this section has been extracted from publicly available documents from various sources, including officially prepared materials from the Government of India and its various ministries and the Reserve Bank of India, and has not been prepared or independently verified by us. This is the latest available information to our knowledge at August 31, 2006.

Introduction

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

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

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

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

Reserve Bank of India

The Reserve Bank of India, established in 1935, is the central banking and monetary authority in India. The Reserve Bank of India manages the country's

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

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

Commercial Banks

Commercial banks in India have traditionally focused only on meeting the short-term financial needs of industry, trade and agriculture. At year-end fiscal 2006, there were 218 scheduled commercial banks in the country,

with a network of 68,681 branches serving approximately Rs.20.93 trillion (US$ 471 billion) in deposit accounts. Scheduled commercial banks are banks that are listed in the schedule to the Reserve Bank of India Act, 1934, and are further categorized as public sector banks, private sector banks and foreign banks. Scheduled commercial banks have a presence throughout India, with approximately 66.8% of bank branches located in rural or semi-urban areas of the country. A large number of these branches belong to the public sector banks.

Public Sector Banks

Public sector banks make up the largest category in the Indian banking system. They include the State Bank of India and its seven associate banks, 19 nationalized banks and 133 regional rural banks. Excluding the regional rural banks, the remaining public sector banks have 47,688 branches, and accounted for 70.6% of the outstanding gross bank credit and 71.9% of the aggregate deposits of the scheduled commercial banks at year-end fiscal 2006. The public sector banks' large network of branches enables them to fund themselves out of low cost deposits.

The State Bank of India is the largest bank in India. At year-end fiscal 2006, the State Bank of India and its seven associate banks had 13,820 branches. They accounted for 23.4% of aggregate deposits and 23.1% of outstanding gross bank credit of all scheduled commercial banks.

Regional rural banks were established from 1976 to 1987 by the central government, state governments and sponsoring commercial banks jointly with a view to develop the rural economy. Regional rural banks provide credit to small farmers, artisans, small entrepreneurs and agricultural laborers. The National Bank for Agriculture and Rural Development is responsible for regulating and supervising the functions of the regional rural banks. In 1986 the Kelkar Committee made comprehensive recommendations covering both the organizational and operational aspects of regional rural banks, several of which were incorporated as amendments to the Regional Rural Banking Act, 1976. As part of comprehensive restructuring programme, recapitalization of the regional rural banks was initiated in fiscal 1995, a process which continued until fiscal 2000

and covered 187 regional rural banks with aggregate financial support of Rs.21.88 billion (US$492 million) from the stakeholders. Simultaneously, prudential norms on income-recognition, asset classification and provisioning for loan-losses following customary banking benchmarks were introduced.

At year-end fiscal 2006, there were 133 regional rural banks with 14,372 branches, accounting for 3.4% of aggregate deposits and 2.6% of gross bank credit outstanding of scheduled commercial banks. During fiscal 2006, the number of regional rural banks was reduced from 173 to 133 through amalgamations of several regional rural banks.

Private Sector Banks

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

At year-end fiscal 2006, private sector banks accounted for approximately 19.4% of aggregate deposits and 20.2% of gross bank credit outstanding of the scheduled commercial banks. Their network of 6,385 branches accounted for 9.3% of the total branch network of scheduled commercial banks in the country. At year-end fiscal 2006, ICICI Bank accounted for approximately 8.7% of aggregate deposits and 10.0% of non-food credit outstanding of the scheduled commercial banks.

During fiscal 2007 (through September 2006), two private sector banks merged under a scheme of amalgamation by the Indian government subsequent to one of them being placed under moratorium by the Reserve Bank of India. The Reserve Bank of India has issued a draft scheme of amalgamation of two other private sector

banks subsequent to placing one of them under moratorium. See also "Supervision and Regulation - Reserve Bank of India Regulation - Moratorium, Reconstruction & Amalgamation of Banks".

Foreign Banks

At year-end fiscal 2006, there were 29 foreign banks with 236 branches operating in India. Foreign banks accounted for 5.3% of aggregate deposits and 6.5% of outstanding gross bank credit of scheduled commercial banks at year-end fiscal 2006. As part of the liberalization process, the Reserve Bank of India has permitted foreign banks to operate more freely, subject to requirements largely similar to those imposed on domestic banks. The primary activity of most foreign banks in India has been in the corporate segment. However, some of the larger foreign banks have made consumer financing a larger part of their portfolios. These banks offer products such as automobile finance, home loans,

credit cards and household consumer finance. Foreign banks operate in India through branches of the parent bank. Certain foreign banks also have wholly-owned non-bank finance company subsidiaries or joint ventures for both corporate and retail lending. In a circular dated July 6, 2004, the Reserve Bank of India stipulated that banks should not acquire any fresh stake in a bank's equity shares, if by such acquisition, the investing bank's holding exceeded 5.0% of the investee bank's equity capital. This also applies to holdings of foreign banks with a presence in India, in Indian banks.

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

- During the first phase (up to March 2009), foreign banks will be allowed to establish a presence by setting up wholly-owned subsidiaries or by converting existing branches into wholly-owned subsidiaries.

- In addition, during the first phase, foreign banks would be allowed to acquire a controlling stake in a phased manner only in private sector banks that are identified by the Reserve Bank of India for restructuring.

- For new and existing foreign banks, it has been proposed to go beyond the existing World Trade Organization commitment of allowing increases of 12 branches per year. A more liberal policy will be followed for under-banked areas.

- During the second phase (from April 2009 onwards), after a review of the first phase, foreign banks would be allowed to acquire up to 74.0% in private sector banks in India.

Cooperative Banks

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

submitted its report in December 2004. It recommended several structural, regulatory

and operational reforms for cooperative banks, including the provision of financial assistance by the government for revitalizing this sector. In the Union Budget for fiscal 2006, the Finance Minister accepted the recommendations of the Task Force in principle and proposed to call state governments for consultation and begin to implement the recommendations in the states willing to do so. In the Annual Policy Statement for fiscal 2006, the Reserve Bank of India has stated that it is in the process of preparing a medium-term framework for urban cooperative banks.

Long-Term Lending Institutions

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

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

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

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

Non-Bank Finance Companies

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

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

Housing Finance Companies

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

Other Financial Institutions

Specialized Financial Institutions

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

State Level Financial Institutions

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

state industrial development corporations, which provide finance primarily to medium-sized and large-sized enterprises.

Insurance Companies

Currently, there are 32 insurance companies in India, of which 16 are life insurance companies, 15 are general insurance companies and one is a re-insurance company. Of the 16 life insurance companies, 15 are in the private sector and one is in the public sector. Among the general insurance companies, nine are in the private sector and six (including the Export Credit Guarantee Corporation of India Limited and the Agriculture Insurance Company of India Limited) are in the public sector. The re-insurance company, General Insurance Corporation of India, is in the public sector. Life Insurance Corporation of India, General Insurance Corporation of India and public sector general insurance companies also provide long-term financial assistance to the industrial sector. We have joint ventures in each of the life insurance and the general insurance sectors. Our life insurance joint venture, ICICI Prudential Life Insurance Company Limited, and our general insurance joint venture, ICICI Lombard General Insurance Company Limited, are both major players in their respective segments. During fiscal 2005, the gross premiums underwritten by all general insurance companies and the total new premiums of all life insurance companies amounted to Rs.181.0 billion (US$ 4.1 billion) and Rs.253.4 billion (US$5.7 billion) respectively. First year premium underwritten in the life insurance sector recorded a growth of 40.6% to reach Rs.358.98 billion (US$ 8.1 billion) in fiscal 2006 with the private sector's retail market share (on weighted received premium basis) increasing from 25.4% in fiscal 2005 to 34.2% in fiscal 2006. Gross premium in the non-life insurance sector (excluding Export Credit Guarantee Corporation of India Limited) grew by 16.2% to Rs.203.79 billion (US$ 4.6 billion) in fiscal 2006 with the private sector's market share increasing from 20.3% in fiscal 2005 to 26.6% in fiscal 2006.

The insurance sector in India is regulated by the Insurance Regulatory and Development Authority. In December 1999, the parliament passed the Insurance Regulatory and Development Authority Act, 1999. This Act opened up the Indian insurance sector for foreign and private investors. The Act allows foreign equity participation in new insurance companies of up to 26.0%. The new company should have a minimum paid up equity capital of Rs.1.0 billion (US$ 22 million) to carry on the business of life insurance or general insurance or Rs.2.0 billion (US$ 45 million) to carry on exclusively the business of reinsurance.

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

Mutual Funds

At the end of July 2006 , there were 29 mutual funds in India with total assets under management of Rs. 2,792.4 billion (US$ 62.8 billion). From 1963 to 1987, Unit Trust of India was the only mutual fund operating in the country. It was set up in 1963 at the initiative of the government and the Reserve Bank of India. From 1987 onwards, several other public sector mutual funds entered this sector. These mutual funds were established by public sector banks, the Life Insurance Corporation of India and General Insurance Corporation of India. The mutual funds industry was opened up to the private sector in 1993. The industry is regulated by the SEBI (Mutual Fund) Regulation, 1996. At the end of July 2006, there were 24 private sector mutual funds with a 80.6% market share in terms of total assets under management. Our asset management joint venture, Prudential ICICI Asset Management Company Limited, was the largest mutual fund in India based on assets under management at July 31, 2006.

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

Impact of Liberalization on the Indian Financial Sector

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

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

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

Banking Sector Reform

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

Committee on the Financial System (Narasimham Committee I)

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

- with fiscal stabilization and the government increasingly resorting to market borrowing to raise resources, the statutory liquidity ratio or the proportion of the banks' net demand and time liabilities that were required to be invested in government securities was reduced from 38.5% in the pre-reform period to 25.0% in October 1997;

- similarly, the cash reserve ratio or the proportion of the bank's net demand and time liabilities that were required to be deposited with the Reserve Bank of India was reduced from 15.0% in the pre-reform period to 4.5%. In a circular dated September 11, 2004, the Reserve Bank of India has raised the cash reserve ratio to 4.75% with effect from September 18, 2004 and 5.0% with effect from October 2, 2004;

- special tribunals were created to resolve bad debt problems;

- most of the restrictions on interest rates for deposits were removed. Commercial banks were allowed to set their own level of interest rates for all deposits except savings bank deposits; and

- substantial capital infusion to several state-owned banks was approved in order to bring their capital adequacy closer to internationally accepted standards. By the end of fiscal 2002, aggregate recapitalization amounted to Rs.217.5 billion (US$ 4.9 billion). The stronger public sector banks were given permission to issue equity to further increase capital.

Committee on Banking Sector Reform (Narasimham Committee II)

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

Recent Structural Reforms

Amendments to the Reserve Bank of India Act

In May 2006, the Indian Parliament approved amendments to the Reserve Bank of India Act removing the minimum cash reserve ratio requirement of 3.0%, giving the Reserve Bank of India discretion to reduce the cash reserve ratio to less

than 3.0%. The amendments also resulted in no interest being payable by the Reserve Bank of India on cash reserve ratio balances. Further, the amendments also created a legal and regulatory framework for derivative instruments.

Recent Amendments to Laws Governing Public Sector Banks

The Indian Parliament recently amended the laws governing India's public sector banks permitting these banks to issue preference shares and make preferential allotments or private placements of equity, The amendments also

empower the Reserve Bank of India to prescribe `fit and proper' criteria for directors of these banks, and permit supercession of their boards and appointment of administrators in certain circumstances.

Proposed Amendments to the Banking Regulation Act

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

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

Legislative Framework for Recovery of Debts due to Banks

In fiscal 2003, the Indian Parliament passed the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002. This Act provides that a secured creditor may, in respect of loans classified as non-performing in accordance with the Reserve Bank of India guidelines, give notice in writing to the borrower requiring it to discharge its liabilities within 60 days, failing which the secured creditor may take possession of the assets constituting the security for the loan, and exercise management rights in relation thereto, including the right to sell or otherwise dispose of the assets. This Act also provides for the setting up of asset reconstruction companies regulated by the Reserve Bank of India to acquire assets from banks and financial institutions. The Reserve Bank of India has issued guidelines for asset reconstruction companies in respect of their establishment, registration and licensing by the Reserve Bank of India, and operations. Asset Reconstruction Company (India) Limited, set up by us, Industrial Development Bank of India, State Bank of India and certain other banks and institutions, has received registration from the Reserve Bank of India and commenced operation in August 2003. Foreign direct investment is now permitted in the equity capital of asset reconstruction companies and investment by Foreign Institutional Investors registered with the Securities and Exchange Board of India is permitted in security receipts issued by asset

reconstruction companies, subject to certain conditions and restrictions.

Several petitions challenging the constitutional validity of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 were filed before the Indian Supreme Court. The Supreme Court, in April 2004, upheld the constitutionality of the Act, other than the requirement originally included in the Act that the borrower deposit 75.0% of the dues with the debt recovery tribunal as a pre-condition for appeal by the borrower against the enforcement measures. In November 2004, the Government of India issued an ordinance amending the Securitisation Act. The Indian Parliament has subsequently passed this ordinance as an Act. This Act, as amended, now provides that a borrower may make an objection or representation to a secured creditor after a notice is issued by the secured creditor to the borrower under the Act demanding payment of dues. The secured creditor has to give reasons to the borrower for not accepting the objection or representation. The Act also introduces a deposit requirement for borrowers if they wish to appeal the decision of the debt recovery tribunal. Further, the Act permits a lender to take over the business of a borrower under the Securitisation Act under certain circumstances (unlike the earlier provisions under which only assets could be taken over). See "Supervision and Regulation -- Reserve Bank of India Regulations -- Regulations relating to Sale of Assets to Asset Reconstruction Companies."

Earlier, following the recommendations of the Narasimham Committee, the Recovery of Debts due to Banks and Financial Institutions Act, 1993 was enacted. This legislation provides for the establishment of a tribunal for speedy resolution of litigation and recovery of debts owed to banks or financial institutions. The Act creates tribunals before which the banks or the financial institutions can file a suit for recovery of the amounts due to them.

However, if a scheme of reconstruction is pending before the Board for Industrial and Financial Reconstruction, under the Sick Industrial Companies (Special Provision) Act, 1985, no proceeding for recovery can be initiated or continued before the tribunals. This protection from creditor action ceases if the secured creditor takes action under Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act. While presenting its budget for fiscal 2002, the Government of India announced measures for the setting up of more debt recovery tribunals and the eventual repeal of the Sick Industrial Companies (Special Provision) Act, 1985. To date, however, this Act has not been repealed.

Corporate Debt Restructuring Forum

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

Universal Banking Guidelines

Universal banking in the Indian context means the transformation of long-term lending institutions into banks. Pursuant to the recommendations of the Narasimham Committee II and the Khan Working Group, the Reserve Bank of India, in its mid-term review of monetary and credit policy for fiscal 2000, announced that long-term lending institutions would have the option of transforming themselves into banks subject to compliance with the prudential norms as applicable to banks. If a long-term lending institution chose to exercise the option available to it and formally decided to convert itself into a universal bank, it could formulate a plan for the transition path and a strategy for smooth conversion into a universal bank over a specified time frame. In April 2001, the Reserve Bank of India issued guidelines on several operational and regulatory issues which were required to be addressed in evolving the path for transition of a long-term lending institution into a universal bank.

Pension Reforms

Currently, there are three categories of pension schemes in India: pension schemes for government employees, pension schemes for employees in the organized sector and voluntary pension schemes. In case of pension schemes for government employees, the government pays its employees a defined periodic benefit upon their retirement. Further, the contribution towards the pension scheme is funded solely by the government and not matched by a contribution from the employees. The Employees Provident Fund, established in 1952, is a mandatory program for employees of certain establishments. It is a contributory program that provides for periodic contributions of 10% to 12% of the basic salary by both the employer and the employees. The contribution is invested in prescribed securities and the accumulated balance in the fund (including the accretion thereto) is paid to the employee as a lump sum on retirement. Besides these, there are voluntary pension schemes administered by the government (the Public Provident Fund to which contribution may be made up to a maximum of Rs.70,000 or US$ 1,574 per annum) or offered by insurance companies, where the contribution may be made on a voluntary basis. Such voluntary contributions are often driven by tax benefits offered under the scheme.

In 1998, the government commissioned the Old Age Social and Income Security (OASIS) project and nominated an expert committee to suggest changes to the existing policy framework. The committee submitted its report in January 2000, recommending a system for private sector management of pension funds to provide market-linked returns. It also recommended the establishment of a separate pensions regulatory authority to regulate the pensions system. Subsequently, in the budget for fiscal 2001, the government announced that a high level committee would be formulated to design a contribution-based pension scheme for new government recruits. The government also requested the Insurance Regulatory and Development Authority to draw up a roadmap for implementing the OASIS Report. The Insurance Regulatory and Development Authority submitted its report in October 2001. The report suggested that pension fund managers should constitute a separate legal entity to conduct their pension business. In August 2003, the government announced that it would be mandatory for its new employees (excluding

defense personnel) to join a new defined contribution pension scheme where both the government and the employee would make monthly contributions of 10% of the employee's salary. The government also announced that a Pension Fund Development and Regulatory Authority would be set up to regulate the pension industry. The government constituted the interim Pension Fund Development and Regulatory Authority on October 11, 2003. In December 2003, the government announced that

the new pension scheme would be applicable to all new recruits to Indian government service (excluding defense personnel) from January 1, 2004. Further, on December 30, 2004, the government promulgated an ordinance establishing the statutory regulatory body, Pension Fund Regulatory and Development Authority (PFRDA) to undertake promotional, developmental and regulatory functions with respect to the pension sector. In March 2005, the Government tabled the Pension Fund and Development Authority Bill in Parliament. The Union Budget for fiscal 2006 has recognized the opportunities for foreign direct investment in the pension sector and it has also announced that the government would issue guidelines for such investment.

Credit Policy Measures

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

Annual Policy Statement for Fiscal 2007

In its annual policy statement for fiscal 2007 announced in April 2006, the Reserve Bank of India:

- Raised the requirement of general provisioning on standard advances to specific sectors like residential housing loans beyond Rs.2.0 million (US$44,964) and commercial real estate loans from 0.40% to 1.0%.

- Increased the risk weight on commercial real estate exposure from 125.0% to 150.0%.

- Proposed to include banks' total exposure to venture capital funds as a part of capital market exposure with a risk weight of 150.0%.

- Raised the ceiling on non resident external deposit rates to LIBOR/SWAP rates of US Dollar of corresponding maturities plus 100 basis points from the existing level of 75 basis points above LIBOR/SWAP rates;

First Quarter Review of Annual Policy Statement for Fiscal 2007

In its first quarter review of the annual policy statement announced on July 25, 2006, the Reserve Bank of India has raised the reverse repo rate by 25 basis points to 6.0% with immediate effect. The bank rate remained unchanged at 6.0%.

Reforms of the Non-Bank Finance Companies

Standards relating to income recognition, provisioning and capital adequacy were prescribed for non-bank finance companies in June 1994. Registered non-bank finance companies were required to achieve a minimum capital adequacy of 6.0% by year-end fiscal 1995 and 8.0% by year-end fiscal 1996 and to obtain a minimum credit rating. To encourage the companies complying with the regulatory framework, the Reserve Bank of India announced in July 1996 certain liberalization measures under which the non-bank finance companies registered with it and complying with the prudential norms and credit rating requirements were granted freedom from the ceiling on interest rates on deposits and amount of deposits. Other measures introduced include requiring non-bank finance companies to maintain a certain percentage of liquid assets and to create a reserve fund. The percentage of liquid assets to be maintained by non-bank finance companies has been revised uniformly upwards and, since April 1999, 15.0% of public deposits must be maintained. From January 1, 2000 the requirement should not be less than 10.0% in approved securities and the remaining in unencumbered term deposits in any scheduled commercial bank, the

aggregate of which shall not be less than 15.0% of the "public deposit" outstanding at the close of business on the last working day of the second preceding quarter. The maximum rate of interest that non-bank finance companies could pay on their public deposits was reduced from 12.5% per annum to 11.0% per annum effective March 4, 2003.

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

- a minimum net owned fund of Rs.2.5 million (US$ 56, 205) is mandatory before existing non-bank finance companies may accept public deposits;

- a minimum investment grade rating is compulsory for loan and investment companies accepting public deposits, even if they have the minimum net owned funds;

- permission to accept public deposits was also linked to the level of capital to risk assets ratio. Different capital to risk assets ratio levels for non-bank finance companies with different ratings were specified; and

- non-bank finance companies were advised to restrict their investments in real estate to 10.0% of their net owned funds.

In the monetary and credit policy for fiscal 2000, the Reserve Bank of India stipulated a minimum capital base of Rs.20 million (US$ 449,640) for all new non-bank finance companies. In the Government of India's budget for fiscal 2002, the procedures for foreign direct investment in non-bank finance companies were substantially liberalized.

During fiscal 2003, the Reserve Bank of India introduced a number of measures to enhance the regulatory and supervisory standards of non-bank finance companies, especially in order to bring them at par with commercial banks, in select operations, over a period of time. Other regulatory measures adopted and subsequently revised in November 2004 included aligning interest rates in this sector with the rates prevalent in the rest of the economy, tightening prudential norms and harmonizing supervisory directions with the requirements of the Companies Act, procedural changes in nomination facilities, issuance of a Know Your Customer policy and allowing non-bank finance companies to take up insurance agency business.

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

SUPERVISION AND REGULATION

The main legislation governing commercial banks in India is the Banking Regulation Act. Other important laws include the Reserve Bank of India Act, the Negotiable Instruments Act and the Banker's Books Evidence Act. Additionally, the Reserve Bank of India, from time to time, issues guidelines to be followed by banks. Compliance with all regulatory requirements is evaluated with respect to financial statements under Indian GAAP.

Reserve Bank of India Regulations

Commercial banks in India are required under the Banking Regulation Act to obtain a license from the Reserve Bank of India to carry on banking business in India. Before granting the license, the Reserve Bank of India must be satisfied that certain conditions are complied with, including (i) that the bank has the ability to pay its present and future depositors in full as their claims accrue; (ii) that the affairs of the bank will not be or are not likely to be conducted in a manner detrimental to the interests of present or future depositors; (iii) that the bank has adequate capital and earnings prospects; and (iv) that the public interest will be served if such license is granted to the bank. The Reserve Bank of India can cancel the license if the bank fails to meet the above conditions or if the bank ceases to carry on banking operations in India.

ICICI Bank, being licensed as a banking company, is regulated and supervised by the Reserve Bank of India. The Reserve Bank of India requires ICICI Bank to furnish statements, information and certain details relating to its business. It has issued guidelines for commercial banks on recognition of income, classification of assets, valuation of investments, maintenance of capital adequacy and provisioning for non-performing assets. The Reserve Bank of India has set up a Board for Financial Supervision, under the chairmanship of the Governor of the Reserve Bank of India. The appointment of the auditors of banks is subject to the approval of the Reserve Bank of India. The Reserve Bank of India can direct a special audit in the interest of the depositors or in the public interest.

Regulations relating to the Opening of Branches

Section 23 of the Banking Regulation Act provides that banks must obtain the prior approval of the Reserve Bank of India to open new branches. Permission is granted based on factors such as the financial condition and history of the banking company, its management, adequacy of capital structure and earning prospects and the public interest. The Reserve Bank of India may cancel the license for violations of the conditions under which it was granted. Under the banking license granted to ICICI Bank by the Reserve Bank of India, ICICI Bank is required to have at least 25.0% of its branches located in rural and semi-urban areas. A rural area is defined as a center with a population of less than 10,000. A semi-urban area is defined as a center with a population of greater than 10,000 but less than 100,000. These population figures relate to the 1991 census conducted by the Government of India. In September 2005, the Reserve Bank of India issued a new branch authorization policy in terms of which the existing system of granting authorizations for opening individual branches from time to time will be replaced by a system of aggregated approvals on an annual basis. The Reserve Bank of India will discuss with individual banks their branch expansion strategies and plans over the medium term. The term "branch" for this purpose has been defined to also include extension counters, offsite ATMs, administrative offices and back offices. While processing authorization requests, the Reserve Bank of India will give importance to the nature and scope of banking services particularly in under-banked areas, actual credit flow to the priority sector and efforts to promote financial inclusion, the need to induce enhanced competition in the banking sector, the bank's regulatory

compliance, quality of governance, risk management and relationships with subsidiaries and affiliates.

Capital Adequacy Requirements

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

The total capital of a banking company is classified into Tier I and Tier II capital. Tier I capital, the core capital, provides the most permanent and readily available support against unexpected losses. It comprises paid-up capital and reserves consisting of any statutory reserves, free reserves as reduced by equity investments in subsidiaries,

intangible assets and losses in the current period and those brought forward from the previous period. In fiscal 2003, the Reserve Bank of India issued a guideline requiring a bank's deferred tax asset to be treated as an intangible asset and deducted from its Tier I capital.

Tier II capital includes undisclosed reserves, revaluation reserves (at a discount of 55.0%), general provisions and loss reserves (allowed up to a maximum of 1.25% of risk weighted assets), hybrid debt capital instruments (which combine certain features of both equity and debt securities) and subordinated debt. Any subordinated debt is subject to progressive discounts each year for inclusion in Tier II capital and total subordinated debt considered as Tier II capital cannot exceed 50.0% of Tier I capital. Tier II capital cannot exceed Tier I capital.

In January 2006, the Reserve Bank of India issued guidelines permitting banks to issue perpetual debt with a call option after not less than 10 years, to be exercised with its prior approval, for inclusion in Tier I capital up to a maximum of 15% of total Tier I capital, The Reserve Bank of India also permitted banks to issue debt instruments with a minimum maturity of 15 years and a call option after not less than 10 years, to be exercised with its prior approval, for inclusion in Tier II capital. In July 2006, the Reserve Bank of India issued guidelines permitting the issuance of Tier I and Tier II debt instruments denominated in foreign currencies. See also "Operating and Financial Review and Prospects - Capital Resources."

Risk adjusted assets and off-balance sheet items considered for determining the capital adequacy ratio are the risk weighted total of specified funded and non-funded exposures. Degrees of credit risk expressed as percentage weighting have been assigned to various balance sheet asset items and conversion factors to off-balance sheet items. The value of each item is multiplied by the relevant weight or conversion factor to produce risk-adjusted values of assets and off-balance-sheet items. Standby letters of credit and guarantees are treated as similar to funded exposure and are subject to similar risk weight. All foreign exchange open positions carry a 100.0% risk weight. Capital requirements have also been prescribed for open positions in gold. In December 2004, the Reserve Bank of India increased the risk weights on housing loans from 50.0% to 75.0% and on consumer credit including personal loans and credit card receivables from 100.0% to 125.0% as a temporary counter-cyclical measure given the rapid growth of these segments. In July 2005, the Reserve Bank of India increased the risk weights on capital market exposure and exposure to commercial real estate from

100.0% to 125.0%. In its annual policy statement for fiscal 2007, the Reserve Bank of India further increased the risk weight on loans and exposure to commercial real estate from 125.0% to 150.0%. The risk weight for venture capital funds included for capital market exposure was increased to 150.0%. The Reserve Bank of India issued guidelines on securitization of standard assets on February 1, 2006. The guidelines define true sale, criteria to be met by special purpose vehicles set up for securitization, policy on provision of credit enhancement facilities, liquidity facilities, underwriting facilities and provision of services. The guidelines also cover capital requirements on securitization, prudential norms for investment in securities issued by special purpose vehicles, accounting treatment of the securitization transactions and disclosure requirements.

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

In February 2005, the Reserve Bank of India issued draft guidelines for the implementation of the revised capital adequacy framework of the Basel Committee. These draft guidelines, which are proposed to be effective from April 1, 2006, specify that all banks in India will adopt the standardized approach for credit risk and the basic

indicator approach for operational risk with effect from March 31, 2007. After adequate expertise has been developed, both at the banks and at the supervisory levels, some banks may be allowed to migrate to the internal ratings based approach after obtaining the approval of the Reserve Bank of India. The guidelines also prescribe a 75.0% risk weight for retail credit exposures, differential risk weights for other credit exposures linked to their credit rating, and a capital charge for operational risk based on a factor of 15.0% of the sum of a bank's net interest income and non-interest income (excluding extraordinary income).

Loan Loss Provisions and Non-Performing Assets

In April 1992, the Reserve Bank of India issued formal guidelines on income recognition, asset classification, provisioning standards and valuation of investments applicable to banks, which are revised from time to time.

The principal features of these Reserve Bank of India guidelines, which have been implemented with respect to ICICI Bank's loans, debentures, lease assets, hire purchases and bills are set forth below.

The Reserve Bank of India guidelines stipulate the criteria for determining and classifying a non-performing asset set forth below:

Asset Classification

A non-performing asset is an asset in respect of which any amount of interest or principal is overdue for more than 90 days (180 days until year-end fiscal 2003). In particular, an advance is a non-performing asset where:

- interest and/or installment of principal remains overdue for a period of more than 90 days in respect of a term loan;
- the account remains "out-of-order" for a period of more than 90 days in respect of an overdraft or cash credit;
- the bill remains overdue for a period of more than 90 days in case of bills purchased and discounted;
- installment of interest or principal remains overdue for two harvest seasons for short duration crops or for one harvest season for long duration crops; or
- any amount to be received remains overdue for a period of more than 90 days in respect of other accounts.

Interest in respect of non-performing assets is not recognized or credited to the income account unless collected.

Non-performing assets are classified as described below.

Sub-Standard Assets. Assets that are non-performing assets for a period not exceeding 12 months (18 months until year-end fiscal 2004). In such cases, the current net worth of the borrower/guarantor or the current market value of the security charged is not enough to ensure recovery of dues to the banks in full. Such an asset has well-defined credit weaknesses that jeopardize the liquidation of the debt and are characterized by the distinct possibility that the bank will sustain some loss, if deficiencies are not corrected.

Doubtful Assets. Assets that are non-performing assets for more than 12 months (18 months until year-end fiscal 2004). A loan classified as doubtful has all the weaknesses inherent in assets that are classified as sub-standard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently known facts, conditions and values, highly questionable and improbable.

Loss Assets. Assets on which losses have been identified by the bank or internal or external auditors or the Reserve Bank of India inspection but the amount has not been written off fully.

There are separate guidelines for projects under implementation which are based on the achievement of financial closure and the date of approval of the project financing.

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

To put in place an institutional mechanism for the restructuring of corporate debt, the Reserve Bank of India has devised a corporate debt restructuring system. See "Overview of the Indian Financial Sector - Recent Structural Reforms -- Corporate Debt Restructuring Forum".

Provisioning and Write-Offs

Provisions are based on guidelines specific to the classification of the assets. The following guidelines apply to the various asset classifications:

- Standard Assets. A general provision of 0.25% is required. In fiscal 2006, the Reserve Bank of India increased the general provisioning requirement from 0.25% to 0.40% (excluding direct advances to the agriculture and small and medium enterprise sectors). In its annual policy statement for fiscal 2007, the Reserve Bank of India increased the general provisioning on standard advances in specific sectors from 0.40% to 1.00%. These provisions are eligible for inclusion in Tier II capital for capital adequacy purposes up to the permitted extent. The Reserve Bank of India has permitted banks to phase in the additional provisioning over the fiscal 2007 to achieve the following levels of provisioning:

  i) 0.55% by June 30, 2006;

  ii) 0.70% by September 30, 2006;

  iii) 0.85% by December 31, 2006; and

  iv) 1.00% by March 31, 2007.

- Sub-Standard Assets. A general provision of 10.0% of the total outstanding is required. However, unsecured exposures which are identified as substandard would attract an additional provision of 10.0%, i.e., a total of 20.0% on the outstanding balance.

- Doubtful Assets. A 100.0% write-off is required to be taken against the unsecured portion of the doubtful asset and charged against income. The value assigned to the collateral securing a loan is the amount reflected on the borrower's books or the realizable value determined by third party appraisers. Until year-end fiscal 2004, in cases where there was a secured portion of the asset, depending upon the period for which the asset remained doubtful, a 20.0% to 50.0% provision was required to be taken against the secured asset as follows:

  - Up to one year: 20.0% provision

  - One to three years: 30.0% provision

- More than three years: 50.0% provision

In July 2004, the Reserve Bank of India introduced additional provisioning requirements for non-performing assets classified as `doubtful for more than three years'. Effective year-end fiscal 2005, 100.0% provision is required for the secured portion of assets classified as doubtful for more than three years on or after April 1, 2004. For the secured portion of assets classified as doubtful for more than three years at year-end fiscal, 2004, a provision of

60.0% is required to be made by year-end fiscal 2005, 75.0% by year-end fiscal 2006 and 100.0% by year-end fiscal 2007.

- Loss Assets. The entire asset is required to be written off or provided for, i.e., a 100.0% provision.

- Restructured Loans. The amount of sacrifice, if any, in the element of interest, measured in present value terms, is either written off or provision is made to the extent of the sacrifice involved.

In June 2006, the Reserve Bank of India issued prudential norms on creation and utilization of floating provisions (i.e., provisions which are not made in respect of specific non-performing assets or are made in excess of regulatory requirements for provisions for standard assets). The norms state that floating provisions can be used only for contingencies under extraordinary circumstances for making specific provisions in impaired accounts after obtaining approval from the Board of Directors and with the prior permission of the Reserve Bank of India. Floating provisions for advances and investments would be held separately and cannot be reversed by credit to the profit and loss account. Until utilization of such provisions, they can be netted off from gross non performing assets to arrive at disclosure of net non performing assets. Alternatively, floating provisions can be treated as part of Tier II capital within the overall ceiling of 1.25% of total risk-weighted assets. Further, floating provisions would not include specific voluntary provisions made by banks for advances at rates which are higher than the stipulated rates.

Regulations relating to Making Loans

The provisions of the Banking Regulation Act govern the making of loans by banks in India. The Reserve Bank of India issues directions covering the loan activities of banks. Some of the major guidelines of the Reserve Bank of India, which are now in effect, are as follows:

- The Reserve Bank of India has prescribed norms for bank lending to non-bank financial companies and financing of public sector disinvestment.

- Banks are free to determine their own lending rates but each bank must declare its prime lending rate as approved by its Board of Directors. Banks are required to declare a benchmark prime lending rate based on various parameters including cost of funds, operating expenses, capital charge and profit margin. Each bank should also indicate the maximum spread over the prime lending rate for all credit exposures other than retail loans. The interest charged by banks on advances up to Rs.200,000 (US$4,360) to any one entity (other than certain permitted types of loans including loans to individuals for acquiring residential property, loans for purchase of consumer durables and

other non-priority sector personal loans) must not exceed the prime lending rate. Banks are also given freedom to lend at a rate below the prime lending rate in respect of creditworthy borrowers and exposures. Interest rates for certain categories of advances are regulated by the Reserve Bank of India.

In terms of Section 20(1) of the Banking Regulation Act, a bank cannot grant any loans and advances against the security of its own shares, a banking company is prohibited from entering into any commitment for granting any loans or advances to or on behalf of any of its directors, or any firm in which any of its directors is interested as partner, manager, employee or guarantor, or any company (not being a subsidiary of the banking company or a company registered under Section 25 of the Companies Act, 1956, or a government company) of which, or the subsidiary or the holding company of which any of the directors of the bank is a director, managing agent, manager, employee or guarantor or in which he holds substantial interest, or any individual in respect of whom any of its directors is a partner or guarantor. There are certain exemptions in this regard as the explanation to the section provides that `loans or advances' shall not include any transaction which the Reserve Bank of India may specify by general or special order as not being a loan or advance for the purpose of such section.

There are guidelines on loans against equity shares in respect of amount, margin requirement and purpose.

In June 2005, the Reserve Bank of India issued guidelines requiring banks to put in place a policy for exposure to real estate with the approval of their boards. The policy is required to include exposure limits, collaterals to be considered, collateral cover and margins and credit authorization. The Reserve Bank of India has also permitted banks to extend financial assistance to Indian companies for acquisition of equity in overseas joint ventures or

wholly owned subsidiaries or in other overseas companies, new or existing, as strategic investment. Banks are not permitted to finance acquisitions by companies in India.

Regulations relating to Sale of Assets to Asset Reconstruction Companies

The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, as amended, provides for sale of financial assets by banks and financial institutions to asset reconstruction companies. The Reserve Bank of India has issued guidelines to banks on the process to be followed for sales of financial assets to asset reconstruction companies. These guidelines provide that a bank may sell financial assets to an asset reconstruction company provided the asset is a non-performing asset. These assets are to be sold on `without recourse' basis only. A bank may sell a standard asset only if the borrower has a consortium or multiple banking arrangement, at least 75.0% by value of the total loans to the borrower are classified as non-performing and at least 75.0% by value of the banks and financial institutions in the consortium or multiple banking arrangement agree to the sale. The banks selling financial assets should ensure that there is no known liability devolving on them and that they do not assume any operational, legal or any other type of risks relating to the financial assets sold. Further, banks may not sell financial assets at a contingent price with an agreement to bear a part of the shortfall on ultimate realization. However, banks may sell specific financial assets with an agreement to share in any surplus realized by the asset reconstruction company in the future. While each bank is required to make its own assessment of the value offered in the sale before accepting or

rejecting an offer for purchase of financial assets by an asset reconstruction company, in consortium or multiple banking arrangements where more than 75.0% by value of the banks or financial institutions accept the offer, the remaining banks or financial institutions are obliged to accept the offer. Consideration for the sale may be in the form of cash, bonds or debentures or security receipts or pass through certificates issued by the asset reconstruction company or trusts set up by it to acquire the financial assets. See also "Overview of the Indian Financial Sector - Recent Structural Reforms - Legislative Framework for Recovery of Debts Due to Banks".

Guidelines on Sale and Purchase of Non-performing Assets

In July 2005, the Reserve Bank of India issued guidelines on sales and purchases of non-performing assets between banks, financial institutions and non-bank finance companies. These guidelines require that the Board of Directors of the bank must establish a policy for purchases and sales of non-performing assets. Purchases and sales of non-performing assets must be without recourse to the seller and on a cash basis, with the entire consideration being paid upfront. An asset must have been classified as non-performing for at least two years by the seller to be eligible for sale. The purchasing bank must hold the non-performing asset on its books for at least 15 months before it can sell the asset to another bank. The asset cannot be sold back to the original seller.

Directed Lending

Priority Sector Lending

The Reserve Bank of India requires commercial banks to lend a certain percentage of their net bank credit to specific sectors (the priority sectors), such as agriculture, small-scale industry, small businesses and housing finance. Total priority sector advances should be 40.0% of net bank credit with agricultural advances required to be 18.0% of net bank credit and advances to weaker sections required to be 10.0% of net bank credit, and 1.0% of the previous year's net bank credit required to be lent under the Differential Rate of Interest scheme. Any shortfall in the amount required to be lent to the priority sectors may be required to be deposited with the National Bank for Agriculture and the Rural Development. These deposits can be for a period of one year or five years.

Prior to the amalgamation, the advances of ICICI were not subject to the requirement applicable to banks in respect of priority sector lending. Pursuant to the terms of the Reserve Bank of India's approval of the amalgamation, ICICI Bank is required to maintain a total of 50.0% of its domestic net bank credit on the residual portion of its advances (i.e., the portion of its total advances excluding advances of ICICI) in the form of priority sector advances. This additional requirement of 10.0% by way of priority sector advances will apply until such time as the aggregate priority sector advances reach a level of 40.0% of the total net bank credit of ICICI Bank.

Export Credit

The Reserve Bank of India also requires commercial banks to make loans to exporters at concessional rates of interest. This enables exporters to have access to an internationally competitive financing option. Pursuant to existing guidelines, 12.0% of a bank's net bank credit is required to be in the form of export credit. ICICI Bank provides export credit for pre-shipment and post-shipment requirements of exporter borrowers in rupees and foreign

currencies.

Credit Exposure Limits

As a prudent measure aimed at better risk management and avoidance of concentration of credit risk, the Reserve Bank of India has prescribed credit exposure limits for banks and long-term lending institutions in respect of their lending to individual borrowers and to all companies in a single group (or sponsor group).

The limits currently set by the Reserve Bank of India are as follows:

- The exposure ceiling for a single borrower is 15.0% of capital funds and group exposure limit is 40.0% of capital funds. In case of financing for infrastructure projects, the exposure limit to a single borrower is extendable by another 5.0%, i.e., up to 20.0% of capital funds and the group exposure limit is extendable by another 10.0%, i.e., up to 50.0% of capital funds. Banks may, in exceptional circumstances, with the approval of their Board of Directors, consider enhancement of the exposure to a borrower up to a maximum of further 5.0% of capital funds, subject to the borrower consenting to the banks making appropriate disclosures in their annual reports.

- Capital funds is the total capital as defined under capital adequacy norms (Tier I and Tier II capital).

- Non-fund based exposures are calculated at 100.0% and in addition, banks include forward contracts in foreign exchange and other derivative products, like currency swaps and options, at their replacement cost value in determining individual or group borrower exposure ceilings, effective April 1, 2003.

To ensure that exposures are evenly spread, the Reserve Bank of India requires banks to fix internal limits of exposure to specific sectors. These limits are subject to periodical review by the banks. ICICI Bank has fixed a ceiling of 15.0% on its exposure to any one industry (other than retail loans) and monitors its exposures accordingly.

Regulations relating to Investments and Capital Market Exposure Limits

Pursuant to the Reserve Bank of India guidelines, the exposure of banks to capital markets by way of investments in shares, convertible debentures, units of equity oriented mutual funds and loans to brokers, should not exceed 5.0% of total advances (including commercial paper) at March 31 of the previous fiscal year and investments in shares, convertible debentures and units of equity oriented mutual funds should not exceed 20.0% of the bank's net worth. However the exposure to capital markets in excess of 5.0% is permitted by the Reserve Bank of India on a case by case basis. In its mid-term review of its annual policy statement for fiscal 2006, announced on October 25, 2005, the Reserve Bank of India has proposed to restrict a bank's capital exposure to 40.0% of its net worth (both standalone and consolidated) and the consolidated direct capital market exposure to 20.0% of the consolidated net worth. Pursuant to the terms of the Reserve Bank of India's approval for the amalgamation, ICICI's project finance related investments are excluded from the computation of these limits for a period of five years from the amalgamation. In addition, the Reserve Bank of India has approved the exclusion of specific equity investments acquired by conversion of debt under restructuring schemes approved by the Corporate Debt Restructuring Forum.

In November 2003, the Reserve Bank of India issued guidelines on investments by banks in non-Statutory Liquidity Ratio securities issued by companies, banks, financial institutions, central and state government sponsored

institutions and special purpose vehicles. These guidelines apply to primary market subscriptions and secondary market purchases. Pursuant to these guidelines, banks are prohibited from investing in non-Statutory Liquidity Ratio securities with an original maturity of less than one year, other than commercial paper and certificates of deposits. Banks are also prohibited from investing in unrated securities. A bank's investment in unlisted non-Statutory Liquidity Ratio securities may not exceed 10.0% of its total investment in non-Statutory Liquidity Ratio securities as at the end of the preceding fiscal year with a sub-ceiling of 5.0% for investments in bonds of public sector

undertakings. These guidelines do not apply to investments in security receipts issued by securitization or reconstruction companies registered with Reserve Bank of India and asset backed securities and mortgage backed securities with a minimum investment grade credit rating. These guidelines were effective April 1, 2004, with provision for compliance in a phased manner by January 1, 2005.

In April 1999, the Reserve Bank of India, in its monetary and credit policy, stated that the investment by a bank in subordinated debt instruments, representing Tier II capital, issued by other banks and financial institutions should not exceed 10.0% of the investing bank's capital including Tier II capital and free reserves. In July 2004, the Reserve Bank of India imposed a ceiling of 10.0% of capital funds (Tier I plus Tier II capital) on investments by banks and financial institutions in equity shares, preference shares eligible for capital status, subordinated debt instruments, hybrid debt capital instruments and any other instrument approved as in the nature of capital, issued by other banks and financial institutions. Investments in the instruments which are not deducted from Tier I capital of the investing bank or financial institution, are subject to a 100.0% risk weight for credit risk for capital adequacy purposes. The risk weight for credit risk exposure in capital markets has been increased to 125.0% from 100.0% in July 2005. Further, banks and financial institutions cannot acquire any fresh stake in a bank's equity shares, if by such acquisition, the investing bank's or financial institution's holding exceeds 5.0% of the investee bank's equity capital. Banks with investments in excess of the prescribed limits were required to apply to the Reserve Bank of India with a roadmap for reduction of the exposure.

Under the Reserve Bank of India's guidelines on parabanking activities, a bank's investments in a subsidiary company, financial services company, financial institution and stock or other exchange cannot exceed 10.0% of the bank's paid up capital and reserves and all such investments together cannot exceed 20.0% of the bank's paid up capital and reserves. In August 2006, the Reserve Bank of India issued guidelines including investments in venture capital funds in the above limit.

Consolidated Supervision Guidelines

In fiscal 2003, the Reserve Bank of India issued guidelines for consolidated accounting and consolidated supervision for banks. These guidelines became effective April 1, 2003. The principal features of these guidelines are:

Consolidated Financial Statements. Banks are required to prepare consolidated financial statements intended for public disclosure.

Consolidated Prudential Returns. Banks are required to submit to the Reserve Bank of India, consolidated prudential returns reporting their compliance with various prudential norms on a consolidated basis, excluding insurance subsidiaries. Compliance on a consolidated basis is required in

respect of the following main prudential norms:

- Single borrower exposure limit of 15.0% of capital funds (20.0% of capital funds provided the additional exposure of up to 5.0% is for the purpose of financing infrastructure projects);

- Borrower group exposure limit of 40.0% of capital funds (50.0% of capital funds provided the additional exposure of up to 10.0% is for the purpose of financing infrastructure projects);

- Deduction from Tier I capital of the bank, of any shortfall in capital adequacy of a subsidiary for which capital adequacy norms are specified; and

- Consolidated capital market exposure limit of 2.0% of consolidated total assets and 10.0% of consolidated net worth.

ICICI Bank is in compliance with these guidelines, except for the consolidated capital market exposure limits. ICICI Bank has submitted to the Reserve Bank of India that the limit of 2.0% of consolidated total assets and 10.0% of consolidated net worth effectively reduces the standalone capital market exposure limit of 5.0% of advances and 20.0% of net worth. See also "Reserve Bank of India Regulations - Credit Exposure Limits". In its mid-term review of its annual policy statement for fiscal 2006 announced on October 25, 2005, the Reserve Bank of India has

proposed to restrict a bank's capital exposure to 40.0% of its net worth (both standalone and consolidated) and the consolidated direct capital market exposure to 20.0% of the consolidated net worth.

In June 2004, the Reserve Bank of India published the report of a working group on monitoring of financial conglomerates, which proposed the following framework:

- identification of financial conglomerates that would be subjected to focused regulatory oversight;

- monitoring intra-group transactions and exposures and large exposures of the group to outside counter parties;

- identifying a designated entity within each group that would collate data in respect of all other group entities and furnish the same to its regulator; and

- formalizing a mechanism for inter-regulatory exchange of information.

The framework covers entities under the jurisdiction of the Reserve Bank of India, the Securities and Exchange Board of India, the Insurance Regulatory and Development Authority and the National Housing Bank and would in due course be extended to entities regulated by the proposed Pension Fund Regulatory and Development Authority. The Reserve Bank of India has identified ICICI Bank and its related entities as a financial conglomerate with ICICI Bank as the designated entity responsible for reporting to the Reserve Bank of India.

Banks' Investment Classification and Valuation Norms

The key features of the Reserve Bank of India guidelines on categorization

and valuation of banks' investment portfolio are given below.

- The entire investment portfolio is required to be classified under three categories: (a) held to maturity, (b) held for trading and (c) available for sale. Held to maturity includes securities acquired with the intention of being held up to maturity; held for trading includes securities acquired with the intention of being traded to take advantage of the short-term price/interest rate movements; and available for sale includes securities not included in held to maturity and held for trading. Banks should decide the category of investment at the time of acquisition.

- Held to maturity investments compulsorily include (a) recapitalization bonds received from the Government of India towards their re-capitalization requirement and held in their investment portfolio, (b) investments in subsidiaries and joint ventures and (c) investments in debentures deemed as advance. Held to maturity investments also include any other investment identified for inclusion in this category subject to the condition that such investments cannot exceed 25.0% of the total investment excluding recapitalization bonds and debentures.

- Profit on the sale of investments in the held to maturity category, net of tax and statutory reserve, is appropriated to the capital reserve account after being taken in the income statement. Loss on any sale is recognized in the income statement.

- The market price of the security available from the stock exchange, the price of securities in subsidiary general ledger transactions, the Reserve Bank of India price list or prices declared by Primary Dealers Association of India jointly with the Fixed Income Money Market and Derivatives Association of India serves as the "market value" for investments in available for sale and held for trading securities.

- Investments under the held for trading category should be sold within 90 days; in the event of inability to sell due to adverse factors including tight liquidity, extreme volatility or a unidirectional movement in the market, the unsold securities should be shifted to the available for sale category.

- Profit or loss on the sale of investments in both held for trading and available for sale categories is taken in the income statement.

- Shifting of investments from or to held to maturity may be done with the approval of the Board of Directors once a year, normally at the beginning of the accounting year; shifting of investments from available for sale to held for trading may be done with the approval of the Board of Directors, the Asset Liability Management Committee or the Investment Committee; shifting from held for trading to available for sale is generally not permitted.

In September 2004, the Reserve Bank of India announced that it would set up an internal group to review the investment classification guidelines to align them with international practices and the current state of risk management practices in India, taking into account the unique requirement applicable to banks in India of maintenance of a statutory liquidity ratio equal to 25.0% of their demand and time liabilities. In the meanwhile, the Reserve Bank of India

has permitted banks to exceed the limit of 25.0% of investments for the held to maturity category provided the excess comprises only statutory liquidity ratio investments and the aggregate of such investments in the held to maturity category do not exceed 25.0% of the demand and time liabilities. The Reserve Bank of India permitted banks to transfer additional securities to the held to maturity category as a one time measure, in addition to the transfer permitted under the earlier guidelines. The transfer has to be done at the lower of acquisition cost, book value or market value on the date of transfer.

Held to maturity securities are not marked to market and are carried at acquisition cost or at an amortized cost if acquired at a premium over the face value.

Available for sale and held for trading securities are valued at market or fair value as at the balance sheet date. Depreciation or appreciation for each basket within the available for sale and held for trading categories is aggregated. Net appreciation in each basket, if any, that is not realized is ignored, while net depreciation is provided for.

Investments in security receipts or pass through certificates issued by asset reconstruction companies or trusts set up by asset reconstruction companies should be valued at the net asset value announced periodically by the asset reconstruction company based on the valuation of the underlying assets.

The Reserve Bank of India has recently issued draft revised guidelines on investment classification, valuation and accounting which have not yet been finalized.

Limit on Transactions through Individual Brokers

Guidelines issued by the Reserve Bank of India require banks to empanel brokers for transactions in securities. These guidelines also require that a disproportionate part of the bank's business should not be transacted only through one broker or a few brokers. The Reserve Bank of India specifies that not more than 5.0% of the total transactions through empanelled brokers can be transacted through one broker. If for any reason this limit is breached, the Reserve Bank of India has stipulated that the Board of Directors of the bank concerned should ratify such action.

Prohibition on Short-Selling

The Reserve Bank of India does not permit short selling of securities by banks excluding intra-day short selling in Central Government securities. The Reserve Bank of India has permitted banks to sell Government of India securities already contracted for purchase provided the purchase contract is confirmed and the contract is guaranteed by Clearing Corporation of India Limited or the security is contracted for purchase from the Reserve Bank of India. Each security is deliverable or receivable on a net basis for a particular settlement cycle.

In February, 2006, the Reserve Bank of India introduced intra-day short selling in Central Government securities as a measure to develop the Central Government securities market. In its Annual Policy Statement for fiscal 2007, the Reserve Bank of India proposed to introduce a `when issued' market in government securities in order to further strengthen the debt management framework.

Subsidiaries and Other Financial Sector Investments

We need the prior permission of the Reserve Bank of India to incorporate a subsidiary. We are required to maintain an "arms' length" relationship with our subsidiaries and with mutual funds sponsored by us in regard to business parameters such as taking undue advantage in borrowing/lending funds, transferring/selling/buying of securities at rates other than market rates, giving special consideration for securities transactions, in supporting/financing the subsidiary and financing our clients through them when we are not able or not permitted to do so ourselves. We have to observe the prudential norms stipulated by the Reserve Bank of India, from time to time, in respect of our underwriting commitments. Pursuant to such prudential norms, our underwriting or the underwriting commitment of our subsidiaries under any single obligation shall not exceed 15.0% of an issue. We also need the prior specific approval of the Reserve Bank of India to participate in the equity of financial services ventures including stock exchanges and depositories notwithstanding the fact that such investments may be within the ceiling (the lower of 30.0% of the paid-up capital of the investee company and 30.0% of the investing bank's own paid up capital and reserves) prescribed under Section 19(2) of the Banking Regulation Act. Our investment in a subsidiary, financial services company or financial institution cannot exceed 10.0% of our paid-up capital and reserves and our aggregate investments in all such companies and financial institutions put together cannot exceed 20.0% of our paid-up capital and reserves.

Regulations relating to Deposits

The Reserve Bank of India has permitted banks to independently determine rates of interest offered on term deposits. However, banks are not permitted to pay interest on current account deposits. Further, banks may only pay interest of up to 3.5% per annum on savings deposits. In respect of savings and time deposits accepted from employees, ICICI Bank is permitted by the Reserve Bank of India to pay an additional interest of 1.0% over the interest payable on deposits from the public.

- Domestic time deposits have a minimum maturity of seven days. Time deposits from non-resident Indians denominated in foreign currency have a minimum maturity of one year and a maximum maturity of three years.

ICICI Bank stipulates a minimum balance of Rs.10,000 (US$ 225) for a non-resident rupee savings deposit. Interest rates on non-resident rupee term deposits of one to three years maturity are not permitted to exceed the LIBOR/SWAP rates for US dollar of corresponding maturity plus 50 basis points. Interest rates on non-resident rupee savings deposits are not permitted to exceed the LIBOR/SWAP rate plus 50 basis points for six months maturity on US dollar deposits and are fixed quarterly on the basis of the LIBOR/SWAP rate of US dollar on the last working day of the preceding quarter. On November 17, 2005, the Reserve Bank of India revised the interest rate on non-resident rupee term deposits of one to three years to LIBOR/SWAP rate plus 75 basis points. The interest rate on non-resident savings deposits is at rate applicable to domestic savings deposits.

Regulations relating to Knowing the Customer and Anti-Money Laundering

The Reserve Bank of India issued a notification dated November 29, 2004 prescribing guidelines for Know Your Customer and anti money laundering procedures. Banks are required to have a customer acceptance policy laying down explicit criteria for acceptance of customers and defining risk parameters. A profile of the customers should be prepared based on risk categorization. Banks have been advised to apply enhanced due diligence for high-risk customers. The guidelines provide that banks should undertake customer identification procedures while establishing a banking relationship or carrying out a

financial transaction or when the bank has a doubt about the authenticity or the adequacy of the previously obtained customer identification data. Banks need to obtain sufficient information necessary to establish the identity of each new customer and the purpose of the intended banking relationship. The guidelines also provide that banks should monitor transactions depending on the account's risk sensitivity. In February 2006, the Reserve Bank of India issued guidelines on the obligations of banks under the Prevention of Money Laundering Act, 2002. The Reserve Bank of India also issued anti money laundering guidelines to other entities such as non-bank finance companies and authorized money changers.

In August 2005, the Reserve Bank of India has simplified the KYC procedure for opening accounts for those persons who intend to keep balances not exceeding Rs.50,000 in all their accounts taken together and the total credit

in all the accounts taken together is not expected to exceed Rs.100,000 in a year in order to ensure that the implementation of the KYC guidelines do not result in the denial of the banking services to those who are financially or socially disadvantaged.

The Indian Parliament had enacted the Prevention of Money Laundering Act in 2002. Effective July 1, 2005, the provisions of this Act have come into force. The Act seeks to prevent money laundering and to provide for confiscation of property derived from, or involved in, money laundering. In addition, the applicable exchange control regulations prescribe reporting mechanisms for transactions in foreign exchange and require authorized dealers to report identified suspicious transactions to the Reserve Bank of India. In December 2004, the Indian Parliament passed the Unlawful Activities (Prevention) Amendment Ordinance/Act, 2004 incorporating the provisions considered necessary to deal with various facets of terrorism. The Narcotic Drugs and Psychotropic Substances Act, 1985 deals with proceeds of drug related crime.

Regulations on Asset Liability Management

At present, the Reserve Bank of India's regulations for asset liability management require banks to draw up asset-liability gap statements separately for rupee and for four major foreign currencies. These gap statements are prepared by scheduling all assets and liabilities according to the stated and anticipated re-pricing date, or maturity date. These statements have to be submitted to the Reserve Bank of India on a quarterly basis. The Reserve Bank of India has advised banks to actively monitor the difference in the amount of assets and liabilities maturing or being re-priced in a particular period and place internal prudential limits on the gaps in each time period, as a risk control mechanism. Additionally, the Reserve Bank of India has asked banks to manage their asset-liability structure such that the negative liquidity gap in the 1-14 day and 15-28 day time periods does not exceed 20.0% of cash outflows in these time periods. This 20.0% limit on negative gaps was made mandatory with effect from April 1, 2000. In respect of other time periods, up to one year, the Reserve Bank of India has directed banks to lay down internal norms in respect of negative liquidity gaps. In April 2006, the Reserve Bank of India issued draft guidelines on improvements to banks' asset liability management framework.

Foreign Currency Dealership

The Reserve Bank of India has granted ICICI Bank a full-fledged authorized dealers' license to deal in foreign exchange through its designated branches. Under this license, ICICI Bank has been granted permission to:

- engage in foreign exchange transactions in all currencies;
- open and maintain foreign currency accounts abroad;
- raise foreign currency and rupee denominated deposits from non resident Indians;
- grant foreign currency loans to on-shore and off-shore corporations;
- open documentary credits;
- grant import and export loans;
- handle collection of bills, funds transfer services;
- issue guarantees; and
- enter into derivative transactions and risk management activities that are incidental to its normal functions authorized under its organizational documents.

Further, we are permitted to hedge foreign currency loan exposures of Indian corporations in the form of interest rate swaps, currency swaps and forward rate agreements, subject to certain conditions.

ICICI Bank's foreign exchange operations are subject to the guidelines specified by the Reserve Bank of India in the exchange control manual. As an authorized dealer, ICICI Bank is required to enroll as a member of the

Foreign Exchange Dealers Association of India, which prescribes the rules relating to foreign exchange business in India.

Authorized dealers, like ICICI Bank, are required to determine their limits on open positions and maturity gaps in accordance with the Reserve Bank of India's guidelines and these limits are approved by the Reserve Bank of India.

Ownership Restrictions

The government of India regulates foreign ownership in Indian banks. The total foreign ownership in a private sector bank, like ICICI Bank, cannot exceed 74.0% of the paid-up capital and shares held by foreign institutional investors under portfolio investment schemes through stock exchanges cannot exceed 49.0% of the paid-up capital.

The Reserve Bank of India's acknowledgement is required for the acquisition or transfer of a bank's shares which will take the aggregate holding (both direct and indirect, beneficial or otherwise) of an individual or a group to the equivalent of 5.0% or more of its total paid up capital. The Reserve Bank of India, while granting acknowledgement, may take into account all matters that it considers relevant to the application, including ensuring that shareholders whose aggregate holdings are above specified thresholds meet fitness and propriety tests. In determining whether the acquirer or transferee is fit and proper to be a shareholder, the Reserve Bank of India may take into account various factors including, but not limited to, the acquirer or transferee's integrity, reputation and track record in financial matters and compliance with tax laws, proceedings of a serious disciplinary or criminal nature against the

acquirer or transferee and the source of funds for the investment.

While granting acknowledgement for acquisition or transfer of shares that takes the acquirer's shareholding to 10.0% or more and up to 30.0% of a private sector bank's paid-up capital, the Reserve Bank of India may consider additional factors, including but not limited to:

- the source and stability of funds for the acquisition and ability to access financial markets as a source of continuing financial support for the bank,
- the business record and experience of the applicant including any experience of acquisition of companies,
- the extent to which the acquirer's corporate structure is in consonance with effective supervision and regulation of its operations; and
- in case the applicant is a financial entity, whether the applicant is a widely held entity, publicly listed and a well established regulated financial entity in good standing in the financial community.

While granting acknowledgment for acquisition or transfer of shares that takes the acquirer's shareholding to 30.0% or more of a private sector bank's paid-up capital, the Reserve Bank of India may consider additional factors, including but not limited to, whether or not the acquisition is in the public interest, and shareholder agreements and their impact on the control and management of the bank's operations.

In February 2005, the Reserve Bank of India issued guidelines on ownership and governance in private sector banks. The key provisions of the guidelines on ownership are:

- No single entity or group of related entities would be permitted to directly or indirectly hold or control more than 10.0% of the paid up equity capital of a private sector bank and any higher level of acquisition would require the Reserve Bank of India's prior approval;
- In respect of corporate shareholders, the objective will be to ensure that no entity or group of related entities has a shareholding in excess of 10.0% in the corporate shareholder. In case of shareholders that are financial entities, the objective will be to ensure that it is widely held, publicly listed and well regulated;
- The Reserve Bank of India may permit a higher level of shareholding in case of restructuring of problem banks or weak banks or in the interest of consolidation in the banking industry;

- Banks would be responsible for compliance with the "fit and proper" criteria for shareholders on an ongoing basis; and
- Banks with shareholders with holdings in excess of the prescribed limit would have to indicate a plan for compliance.

The Reserve Bank of India has recently announced guidelines stating that these regulations would also apply in the event an existing shareholder's shareholding exceed the specified limit as a result of a rights issue of shares

where other shareholders do not subscribe to the issue.

Legislation introduced in the Parliament to amend the Banking Regulation Act provides that prior approval of the Reserve Bank of India shall be mandatory for the acquisition of more than 5.0% of a banking company's paid up capital or voting rights by any individual or firm or group.

Restrictions on Payment of Dividends

In May 2005, the Reserve Bank of India issued guidelines stating that a bank may declare dividends only if all of the following conditions are met:

- o Capital adequacy ratio is at least 9.0% for the preceding two completed years and the accounting year for which the bank proposes to declare a dividend.
- o Net non-performing asset ratio is less than 7.0%.
- o The bank is in compliance with the prevailing regulations and guidelines issued by the Reserve Bank of India, including the creation of adequate provision for the impairment of assets, staff retirement benefits, transfer of profits to statutory reserves, etc.
- o The proposed dividend will be paid out of the current year's profit.
- o The Reserve Bank of India has not placed any explicit restrictions on the bank for declaration of dividends.

In case the bank does not meet the capital adequacy norms, but has a capital adequacy ratio of at least 9.0% for the accounting year for which it proposes to declare a dividend, it would be eligible to do so if its net non-performing asset ratio is less than 5.0%.

Banks that are eligible to declare dividends under the above rules can do so subject to the following:

- o The dividend payout ratio (calculated as a percentage of dividend payable in a year to net profit during the year) must not exceed 40.0%. The maximum permissible dividend payout ratio would vary from bank to bank, depending on the capital adequacy ratio in each of the last three years and the net non-performing asset ratio.
- o In case the profit for the relevant period includes any extraordinary income, the payout ratio must be calculated after excluding that income for compliance with the prudential payout ratio.
- t 5 5 10 o The financial statements pertaining to the financial year for which the bank is declaring a dividend should be free of any qualification by the statutory auditors, which might have an adverse effect on the profit during that year. In case there are any such qualifications, the net profit should be suitably adjusted while computing the dividend payout ratio.

Moratorium, Reconstruction & Amalgamation of Banks

The Reserve Bank of India can apply to the Government of India for suspension of business by a banking company. The Government of India after considering the application of the Reserve Bank of India may order a moratorium staying commencement of action or proceedings against such company for a maximum period of six months. During such period of moratorium, the Reserve Bank of India may (a) in the public interest; or (b) in the interest of the depositors; or (c) in order to secure the proper management of the bank; or (d) in the

interests of the

banking system of the country as a whole, prepare a scheme for the reconstruction of the bank or amalgamation of the bank with any other bank. In circumstances entailing reconstruction of the bank or amalgamation of the bank with another bank, the Reserve Bank of India invites suggestions and objections on the draft scheme prior to placing the scheme before the Government of India for its sanction. The Central Government may sanction the scheme with or without modifications. The law does not require consent of the shareholders or creditors of such banks.

Regulations on Mergers of Private Sector Banks and Banks and Non-banking Finance Companies

In May 2005, the Reserve Bank of India issued guidelines to facilitate mergers between private sector banks and between banks and non-banking finance companies. The guidelines particularly emphasize the examination of the rationale for amalgamation, the systemic benefits arising from it and the advantages accruing to the merged entity. With respect to a merger between two private sector banks, the guidelines require the draft scheme of amalgamation to be approved by the shareholders of both banks with a two-thirds majority after approval by the boards of directors of the two banks concerned. The draft scheme should also consider the impact of amalgamation on the valuation, profitability and capital adequacy ratio of the amalgamating bank and verify that the reconstituted board conforms to the Reserve Bank of India norms. The approved scheme needs to be submitted to the Reserve Bank of India for valuation and sanction in accordance with the Banking Regulation Act, along with other documentation such as the draft document of proposed merger, copies of all relevant notices and certificates, swap ratio, share prices, etc. With respect to a merger of a bank and a non-banking company, the guidelines specify that the non-banking finance company has to comply with Know Your Customer norms for all accounts and all relevant norms issued by the Reserve Bank of India and the Securities and Exchange Board of India. The non-banking finance company should also conform to insider trading norms issued by the Securities and Exchange Board of India, whether it is listed or not, in order to regulate the promoter's trading of shares before and after the amalgamation discussion period.

Credit Information Bureaus

The Parliament of India has enacted the Credit Information Companies (Regulation) Act, 2005, pursuant to which every credit institution, including a bank, has to become a member of a credit information bureau and furnish to it such credit information as may be required of the credit institution by the credit information bureau about persons who enjoy a credit relationship with it. Other credit institutions, credit information bureaus and such other persons as the Reserve Bank of India specifies may access such disclosed credit information.

Deposit Insurance

Demand and time deposits of up to Rs.100,000 (US$ 2,248) accepted by Indian banks have to be mandatorily insured with the Deposit Insurance and Credit Guarantee Corporation, a wholly-owned subsidiary of the Reserve Bank of India. Banks are required to pay the insurance premium for the eligible amount to the Deposit Insurance and Credit Guarantee Corporation on a semi-annual basis. The cost of the insurance premium cannot be passed on to the customer.

Statutes Governing Foreign Exchange and Cross-Border Business Transactions

The foreign exchange and cross border transactions undertaken by banks are subject to the provisions of the Foreign Exchange Management Act. All branches should monitor all non-resident accounts to prevent money laundering.

The Reserve Bank of India issued guidelines on External Commercial Borrowings via its Master Circular in July 2005, which stated that no financial intermediary, including banks, will be permitted to raise such borrowings or provide guarantees in favor of overseas lenders for such borrowings. Eligible borrowers may raise such borrowings to finance the import of equipment and to meet foreign exchange needs of infrastructure projects. In a guideline dated August 1, 2005 the Reserve Bank of India has announced that external commercial borrowing proceeds can be utilized for overseas direct investment in joint ventures/wholly owned subsidiaries subject to the existing guidelines on Indian Direct Investment in joint ventures/wholly owned subsidiaries abroad. Further utilization of external commercial borrowing proceeds is not permitted for lending, capital market investments or acquisitions in India or real estate investments.

In March 2006, in view of enhanced stability in India's external and financial sectors and increased integration of the financial sector in the global economy, the Reserve Bank of India constituted a Committee to set out a roadmap towards fuller capital account convertibility. The Committee has submitted its report in July 2006.

Legal Reserve Requirements

Cash Reserve Ratio

A bank is required to maintain a specified percentage of its net demand and time liabilities, excluding inter-bank deposits, by way of cash reserve with itself and by way of balance in current account with the Reserve Bank of India. The cash reserve ratio can be a minimum of 3.0% and a maximum of 20.0% pursuant to section 42 of the Reserve Bank of India Act. Effective October 2, 2004, the cash reserve ratio is 5.0%. Following the enactment of the Reserve Bank of India (Amendment) Bill 2006, the floor and ceiling rates on the cash reserve ratio were removed. In a guideline dated June 22, 2006, the Reserve Bank of India announced that the cash reserve ratio requirement would be maintained at 5.0% till further notice. The Reserve Bank of India used to pay on cash reserves above 3.0%, which is no longer paid pursuant to the amendments to the Reserve Bank of India Act.

The following liabilities are excluded from the calculation of the demand and time liabilities to determine the cash reserve ratio:

- inter-bank liabilities;
- liabilities to primary dealers;
- refinancing from the Reserve Bank of India and other institutions permitted to offer refinancing to banks; and
- perpetual debt qualifying for lower Tier I capital treatment.

The Reserve Bank of India pays no interest on the cash reserves up to 3.0% of the demand and time liabilities and has discontinued paying interest on the

balance at 3.5% per annum.

The cash reserve ratio has to be maintained on an average basis for a fortnightly period and should not be below 70.0% of the required cash reserve ratio on any day of the fortnight.

Statutory Liquidity Ratio

In addition to the cash reserve ratio, a bank is required to maintain a specified percentage of its net demand and time liabilities by way of liquid assets like cash, gold or approved unencumbered securities. The percentage of this liquidity ratio is fixed by the Reserve Bank of India from time to time, and it can be a minimum of 25.0% and a maximum of 40.0% pursuant to section 24 of the Banking Regulation Act. At present, the Reserve Bank of India requires banking companies to maintain a liquidity ratio of 25.0%. The Banking Regulation (Amendment) Bill, 2005 recently introduced in the Indian Parliament proposes to amend section 24 of the Banking Regulation Act to remove the minimum Statutory Liquidity Ratio stipulation, thereby giving the Reserve Bank of India the freedom to fix the Statutory Liquidity Ratio below this level. See also "Overview of the Indian Financial Sector -- Recent Structural Reforms -- Proposed Amendments to the Banking Regulation Act".

Requirements of the Banking Regulation Act

Prohibited Business

The Banking Regulation Act specifies the business activities in which a bank may engage. Banks are prohibited from engaging in business activities other than the specified activities.

Reserve Fund

Any bank incorporated in India is required to create a reserve fund to which it must transfer not less than 25.0% of the profits of each year before dividends. If there is an appropriation from this account, the bank is required to

report the same to the Reserve Bank of India within 21 days, explaining the circumstances leading to such appropriation. The Government of India may, on the recommendation of the Reserve Bank of India, exempt a bank from requirements relating to its reserve fund.

Payment of Dividend

Pursuant to the provisions of the Banking Regulation Act, a bank can pay dividends on its shares only after all its capitalized expenses (including preliminary expenses, share selling commission, brokerage, amounts of losses and any other item of expenditure not represented by tangible assets) have been completely written off. The Indian government may exempt banks from this provision by issuing a notification on the recommendation of the Reserve Bank of India. We have been exempted from this provision in respect of expenses relating to the Early Retirement Option offered by us in fiscal 2004. We have obtained permission from the Reserve Bank of India to write off these expenses over a five-year period in our Indian GAAP accounts. Further, the payment of the dividend by banks is subject to the eligibility criteria specified by the Reserve Bank of India from time to time.

Restriction on Share Capital and Voting Rights

Banks can issue only ordinary shares. The Banking Regulation Act specifies that no shareholder in a banking company can exercise voting rights on poll in excess of 10.0% of total voting rights of all the shareholders of the banking company.

Only banks incorporated before January 15, 1937 can issue preference shares. Prior to the amalgamation, ICICI had preference share capital of Rs.3.5 billion (US$ 78.7 million). The Government of India, on the recommendation of the Reserve Bank of India, has granted an exemption to ICICI Bank which allows the inclusion of preference capital in the capital structure of ICICI Bank for a period of five years, though ICICI Bank is a bank incorporated after January 15, 1937.

Legislation recently introduced in the Indian Parliament proposes to amend the Banking Regulation Act to remove the limit of 10.0% on the maximum voting power exercisable by an shareholder in a banking company and allow banks to issue redeemable and non-redeemable preference shares. See also "Overview of the Indian Financial Sector -- Recent Structural Reforms -- Proposed Amendments to the Banking Regulation Act".

Restrictions on Investments in a Single Company

No bank may hold shares in any company exceeding 30.0% of the paid up share capital of that company or 30.0% of its own paid up share capital and reserves, whichever is less.

Regulatory Reporting and Examination Procedures

The Reserve Bank of India is empowered under the Banking Regulation Act to inspect a bank. The Reserve Bank of India monitors prudential parameters at quarterly intervals. To this end and to enable off-site monitoring and surveillance by the Reserve Bank of India, banks are required to report to the Reserve Bank of India on aspects such as:

- assets, liabilities and off-balance sheet exposures;
- the risk weighting of these exposures, the capital base and the capital adequacy ratio;
- the unaudited operating results for each quarter;
- asset quality;
- concentration of exposures;
- connected and related lending and the profile of ownership, control and management; and
- other prudential parameters.

The Reserve Bank of India also conducts periodical on-site inspections on matters relating to the bank's portfolio, risk management systems, internal controls, credit allocation and regulatory compliance, at intervals ranging from one to three years. ICICI Bank has been and, at present is also, subject to the on-site inspection by the Reserve Bank of India at yearly intervals. The

inspection report, along with the report on actions taken by ICICI Bank, has to be placed before our Board of Directors. On approval by our Board of Directors, we are required to submit the report on actions taken by it to the Reserve Bank of India. The Reserve Bank of India also discusses the report with the management team including the Managing Director & CEO.

The Reserve Bank of India also conducts on-site supervision of selected branches of ICICI Bank with respect to their general operations and foreign exchange related transactions.

Appointment and Remuneration of the Chairman, Managing Director and Other Directors

ICICI Bank is required to obtain prior approval of the Reserve Bank of India before it appoints its chairman and managing director and any other wholetime directors and fixes their remuneration. The Reserve Bank of India is empowered to remove an appointee to the posts of chairman, managing director and wholetime directors on the grounds of public interest, interest of depositors or to ensure the proper management of ICICI Bank. Further, the Reserve Bank of India may order meetings of our Board of Directors to discuss any matter in relation to ICICI Bank, appoint observers to such meetings and in general may make such changes to the management as it may deem necessary and may also order the convening of a general meeting of the shareholders of ICICI Bank to elect new directors. ICICI Bank cannot appoint as a director any person who is a director of another banking company. In July 2004, the Reserve Bank of India issued guidelines on `fit and proper' criteria for directors of banks.

Penalties

The Reserve Bank of India may impose penalties on banks and its employees in case of infringement of regulations under the Banking Regulation Act. The penalty may be a fixed amount or may be related to the amount involved in any contravention of the regulations. The penalty may also include imprisonment. A press release has been issued by the Reserve Bank of India giving details of the circumstances under which the penalty is imposed on the bank along with the communication on the imposition of the penalty in public domain. The bank is also required to disclose the penalty in its annual report.

Assets to be Maintained in India

Every bank is required to ensure that its assets in India (including import-export bills drawn in India and Reserve Bank of India approved securities, even if the bills and the securities are held outside India) are not less than 75.0% of its demand and time liabilities in India.

Restriction on Creation of Floating Charge

Prior approval of the Reserve Bank of India is required for creating floating charge on ICICI Bank's undertaking or property. Currently, all ICICI Bank's borrowings including bonds are unsecured.

Secrecy Obligations

ICICI Bank's obligations relating to maintaining secrecy arise out of common law principles governing its relationship with its customers. ICICI Bank cannot disclose any information to third parties except under clearly defined circumstances. The following are the exceptions to this general rule:

- where disclosure is required to be made under any law;
- where there is an obligation to disclose to the public;

- where ICICI Bank needs to disclose information in its interest; and
- where disclosure is made with the express or implied consent of the customer.

ICICI Bank is also required to disclose information if ordered to do so by a court. The Reserve Bank of India may, in the public interest, publish the information obtained from the bank. Under the provisions of the Banker's Books Evidence Act, a copy of any entry in a bankers' book, such as ledgers, day books, cash books and account books certified by an officer of the bank may be treated as prima facie evidence of the transaction in any legal proceedings.

Regulations governing Offshore Banking Units

The government and Reserve Bank of India have permitted banks to set up Offshore Banking Units in Special Economic Zones, which are specially delineated duty free enclaves deemed to be foreign territory for the purpose of trade operations, duties and tariffs. ICICI Bank has an Offshore Banking Unit located in the Santacruz Electronic Exports Promotion Zone, Mumbai. The key regulations applicable to offshore bank units include, but are not limited to, the following:

- No separate assigned capital is required. However, the parent bank is required to provide a minimum of US$10 million to its offshore banking unit.
- Offshore Banking Units are exempt from cash reserve ratio requirements.
- Reserve Bank of India may exempt a bank's offshore banking unit from statutory liquidity ratio requirements on specific application by the bank.
- An offshore banking unit may not enter into any transactions in foreign exchange with residents in India, unless such a person is eligible to enter into or undertake such transactions under the Foreign Exchange Management Act, 1999.
- All prudential norms applicable to overseas branches of Indian banks apply to Offshore Banking Units.
- Offshore banking units are required to adopt liquidity and interest rate risk management policies prescribed by Reserve Bank of India in respect of overseas branches of Indian banks as well as within the overall risk management and asset and liability management framework of the bank subject to monitoring by the bank's Board of Directors at prescribed intervals. Further, the bank's board would be required to set comprehensive overnight limits for each currency for these branches, which would be separate from the open position limit of the parent bank.
- Offshore banking units may raise funds in convertible foreign currency as deposits and borrowings from non-residents including non-resident Indians but excluding overseas corporate bodies.
- Offshore banking units may operate and maintain balance sheets only in foreign currency.

- The loans and advances of Offshore Banking Units would not be reckoned as net bank credit for computing priority sector lending obligations.

- Offshore banking units must follow the Know Your Customer guidelines and must be able to establish the identity and address of the participants in a transaction, the legal capacity of the participants and the identity of the beneficial owner of the funds.

The Special Economic Zone Act 2005 permitted Offshore Banking Units to additionally undertake the following activities:

- Lend outside India and take part in international syndications/consortiums at par with foreign offices.

- Invest in foreign currency denominated debt of Indian units.

- Extend facilities to subsidiaries/units of Indian entities, located outside India.

Regulations and Guidelines of the Securities and Exchange Board of India

The Securities and Exchange Board of India was established to protect the interests of public investors in securities and to promote the development of, and to regulate, the Indian securities market. ICICI Bank is subject to the Securities and Exchange Board of India regulations for its public capital issuances, as well as its underwriting, custodial, depositary participant, investment banking, registrar and transfer agents, brokering and debenture trusteeship activities. These regulations provide for its registration with the Securities and Exchange Board of India for each of these activities, functions and responsibilities. ICICI Bank is required to adhere to a code of conduct applicable for these activities.

Public Financial Institution Status

ICICI was a public financial institution under the Indian Companies Act, 1956. The special status of public financial institutions is also recognized under other statutes including the Indian Income Tax Act, 1961, Sick Industrial Companies (Special Provisions) Act, 1985 and Recovery of Debts Due to Banks and Financial Institutions Act, 1993. ICICI Bank is not a public financial institution. As a public financial institution, ICICI was entitled to certain benefits under various statutes. These benefits included the following:

- For income tax purposes, ICICI's deposits and bonds were prescribed modes for investing and depositing surplus money by charitable and religious trusts. Since ICICI Bank is a scheduled bank, its deposits and bonds are also prescribed modes for investment by religious and charitable trusts.

- The Government of India had permitted non-government provident, superannuation and gratuity funds to invest up to 40.0% of their annual accretion of funds in bonds and securities issued by public financial institutions. Further, the trustees of these funds could at their discretion invest an additional 20.0% of such accretions in these bonds and securities. These funds can invest up to only 10.0% of their annual accretion in bonds and securities issued by private sector banks, such as ICICI Bank.

- Indian law provides that a public financial institution cannot, except as provided by law or practice, divulge any information relating to, or to the affairs of, its customers. ICICI Bank has similar obligations relating to maintaining secrecy arising out of common law principles governing its relationship with its customers.

- The Recovery of Debts Due to Banks and Financial Institutions Act, 1993 provides for establishment of debt recovery tribunals for recovery of debts due to any bank or public financial institution or to a consortium of banks and public financial institutions. Under this Act, the procedures for recoveries of debt were simplified and time frames were fixed for speedy disposal of cases. Upon establishment of the debt recovery tribunal, no court or other authority can exercise jurisdiction in relation to matters covered by this Act, except the higher courts in India in certain circumstances. This Act applies to banks as well as public financial institutions and therefore applies to ICICI Bank.

ICICI's cessation as a public financial institution would have constituted an event of default under certain of ICICI's loan agreements related to its foreign currency borrowings. Prior to the amalgamation becoming effective, such event of default was waived by the respective lenders pursuant to the terms of such foreign currency borrowing agreements.

Special Status of Banks in India

The special status of banks is recognized under various statutes including the Sick Industrial Companies Act, 1985, Recovery of Debts Due to Banks and Financial Institutions Act, 1993, and the Securitisation Act. As a bank, ICICI Bank is entitled to certain benefits under various statutes including the following:

- The Recovery of Debts Due to Banks and Financial Institutions Act, 1993 provides for establishment of Debt Recovery Tribunals for expeditious adjudication and recovery of debts due to any bank or Public Financial Institution or to a consortium of banks and Public Financial Institutions. Under this Act, the procedures for recoveries of debt have been simplified and time frames have been fixed for speedy disposal of cases. Upon establishment of the Debt Recovery Tribunal, no court or other authority can exercise

jurisdiction in relation to matters covered by this Act, except the higher courts in India in certain circumstances.

- The Sick Industrial Companies Act, 1985, provides for reference of sick industrial companies to the Board for Industrial and Financial Reconstruction. Under the Act, other than the Board of Directors of a company, a scheduled bank (where it has an interest in the sick industrial company by any financial assistance or obligation, rendered by it or undertaken by it) may refer the company to the BIFR.

- The Securitisation Act focuses on improving the rights of banks and financial institutions and other specified secured creditors as well as asset reconstruction companies by providing that such secured creditors can take over management control of a borrower company upon default and/or sell assets without the intervention of courts, in

accordance with the provisions of the Securitisation Act.

Income Tax Benefits

As a banking company, ICICI Bank is entitled to certain tax benefits under the Indian Income Tax Act including the following:

- ICICI Bank is allowed a deduction of up to 40.0% of its taxable business income derived from the business of long-term financing (defined as loans and advances extended for a period of not less than five years) which is transferred to a special reserve, provided that the total amount of this reserve does not exceed two times the paid-up share capital and general reserves. ICICI Bank is entitled to this benefit because it is a financial corporation. Effective fiscal 1998, if a special reserve is created, it must be maintained and if it is utilized, it is treated as taxable income in the year in which it is utilized.

- ICICI Bank is entitled to a tax deduction on the provisioning towards bad and doubtful debts equal to 7.5% of ICICI Bank's total business income, computed before making any deductions permitted pursuant to Chapter VIA of the Indian Income Tax Act, and to the extent of 10.0% of the aggregate average advances made by its rural branches computed in the manner prescribed. ICICI Bank has the option of claiming a deduction in excess of the specified limits, for an amount not exceeding the income derived from redemption of securities in accordance with the scheme framed by the Central Government.

- ICICI Bank is entitled to a tax deduction, for income from an offshore banking unit in a special economic zone, at the rate of 100% for a period of five consecutive years beginning with the year in which permission under Banking Regulation Act, 1949 is obtained, i.e., up to March 31, 2008 for OBU in SEEPZ, Mumbai and 50% deduction for a period of five consecutive years thereafter in accordance with and subject to the conditions prescribed therein.

- Subject to application for and receipt of certain approvals, ICICI Bank is eligible to issue tax saving bonds approved in accordance with and subject to the provisions of the Indian Income Tax Act and is also eligible to issue zero coupon bonds in accordance with the applicable guidelines.

For income tax purposes, ICICI Bank's deposits and bonds are prescribed modes of investing and depositing surplus money by charitable and religious trusts subject to and in accordance with the provisions contained therein.

Regulations governing Insurance Companies

ICICI Prudential Life Insurance Company and ICICI Lombard General Insurance Company, the subsidiaries of ICICI Bank offering life insurance and non-life insurance respectively, are subject to the provisions of the Insurance Act, 1938 and the various regulations prescribed by the Insurance Regulatory and Development Authority. These regulations regulate and govern, among other things, registration as an insurance company, investment, solvency margin requirements, licensing of insurance agents, advertising, sale and distribution of insurance products and services and protection of policyholders' interests. In May 2002, the Indian Parliament approved the Insurance (Amendment) Act 2002, which facilitates the appointment of corporate agents by insurance companies and prohibits intermediaries and brokers from operating as surrogate insurance agents. The Indian government, while presenting its budget for fiscal 2005, has proposed an increase in the limit on foreign equity participation in private sector

insurance companies from 26.0% to 49.0%. However, this would require an amendment to the Insurance Regulatory and Development Authority Act 1999 and has not yet been implemented.

Regulations governing International Operations

Our international operations are governed by regulations in the countries in which we have a presence.

Overseas Banking Subsidiaries

Our wholly-owned subsidiary in the United Kingdom, ICICI Bank UK Limited is authorized by the Financial Services Authority, which granted our application under Part IV of the Financial Services and Markets Act, 2000 on August 8, 2003. Our wholly-owned subsidiary in Canada, ICICI Bank Canada, was incorporated as a Schedule II Bank in placeCanada. ICICI Bank Canada has obtained the approval of the Canada Deposit Insurance Corporation (CDIC) for deposit insurance and is regulated by the Office of the Superintendent of Financial Institutions. Our wholly-owned subsidiary in Russia, ICICI Bank Eurasia LLC, is regulated by the Central Bank of the Russian Federation.

Offshore Branches

In Singapore, we have an offshore branch, regulated by the Monetary Authority of Singapore. The Singapore branch is allowed to accept foreign currency deposits from Singapore non-bank-residents whose initial deposit is not less than US$100,000. The Singapore branch is currently engaged in corporate & institutional banking, private banking and treasury related activities. In Bahrain, we have an offshore branch, regulated by the Central Bank of Bahrain. The Bahrain branch is permitted to transact banking business with approved financial institutions within Bahrain, individuals or institutions outside Bahrain. It is also permitted to offer banking services to non-resident Indians in Bahrain. Our branches in Hong Kong and Sri Lanka, regulated by the Hong Kong Monetary Authority and the Central Bank of Sri Lanka, respectively, are permitted to undertake banking business in those jurisdictions. Our branch in the Dubai International Financial Centre (DIFC) is regulated by the DIFC Financial Services Authority and is licensed to engage in the arrangement of credit or investment and to provide advice on financial products and services.

Representative Offices

Our representative office in New York in the United States is licensed and regulated by the State of New York Banking Department and the Federal Reserve Board. Our representative office in Dubai, United Arab Emirates is regulated by the Central Bank of the United Arab Emirates. Our representative office in Shanghai, China is regulated by the China Banking Regulatory Commission. Our representative office in Bangladesh is regulated by the Bangladesh Bank. Our representative office in South Africa is regulated by the South African Reserve Bank.

EXCHANGE CONTROLS

Restrictions on Conversion of Rupees

There are restrictions on the conversion of rupees into dollars. Before February 29, 1992, the Reserve Bank of India determined the official value of the rupee in relation to a weighted basket of currencies of India's major trading partners. In the February 1992 budget, a new dual exchange rate mechanism was introduced by allowing conversion of 60.0% of the foreign exchange received on trade or current account at a market-determined rate and the remaining 40.0% at the official rate. All importers were, however, required to buy foreign exchange at the market rate except for certain specified priority imports. In March 1993, the exchange rate was unified and allowed to float. In February 1994 and again in August 1994, the Reserve Bank of India announced relaxations in payment restrictions in case of a number of transactions. Since August 1994, the government of India has substantially complied with its obligations owed to the International Monetary Fund, under which India is committed to refrain from using exchange restrictions on current international transactions as an instrument in managing the balance of payments. Effective July 1995, the process of current account convertibility was advanced by relaxing restrictions on foreign exchange for various purposes, such as foreign travel and medical treatment.

In December 1999, the Indian parliament passed the Foreign Exchange Management Act, 1999, which became effective on June 1, 2000, replacing the earlier Foreign Exchange Regulation Act, 1973. This legislation indicated a major shift in the policy of the government with regard to foreign exchange management in India. While the Foreign Exchange Regulation Act, 1973 was aimed at the conservation of foreign exchange and its utilization for the economic development of the country, the objective of the Foreign Exchange Management Act, 1999 was to facilitate external trade and promote the orderly development and maintenance of the foreign exchange market in India.

The Foreign Exchange Management Act, 1999 regulates transactions involving foreign exchange and provides that certain transactions cannot be carried out without the general or special permission of the Reserve Bank of India. The Foreign Exchange Management Act, 1999 has eased restrictions on current account transactions. However, the Reserve Bank of India continues to exercise control over capital account transactions (i.e., those which alter the assets or liabilities, including contingent liabilities, of persons). The Reserve Bank of India has issued regulations under the Foreign Exchange Management Act, 1999 to regulate the various kinds of capital account transactions, including certain aspects of the purchase and issuance of shares of Indian companies. The Reserve Bank of India has also permitted authorized dealers to freely allow remittances by individuals up to US$25,000 per calendar year for any permissible current or capital account transactions or a combination of both.

Restrictions on Sale of the Equity Shares underlying the ADSs and Repatriation of Sale Proceeds

ADSs issued by Indian companies to non-residents have free transferability outside India. Under current Indian regulations and practice, approval of the Reserve Bank of India is not required for the sale of equity shares underlying the ADSs by a non-resident of India to a resident of India if the sale has been executed on a recognized stock exchange in India through a registered broker at the prevailing market price. Approval of the Reserve Bank of India is not required for a sale of shares of a company other than a company in the financial services sector and certain other specified sectors, even if the transfer is other than on a recognized stock exchange in India or through a registered broker, as long as conditions prescribed in the Reserve Bank of India's guidelines are complied with. The same applies to a renunciation of rights to a resident of India. Foreign institutional investors registered with the Securities and Exchange Board of India are eligible to purchase shares of an

Indian company under the Portfolio Investment Scheme. Certain limits are however prescribed by the Reserve Bank of India for investment through the Portfolio Investment Scheme. Approval of the Reserve Bank of India is not required for a sale of shares under the Portfolio Investment Scheme prescribed by the Reserve Bank of India provided the sale is made on a recognized stock exchange and through a registered stock broker.

If a sale of securities has taken place in terms of the Reserve Bank of India guidelines and other applicable regulations, as briefly described in the previous paragraph, then provided (i) the securities were held on repatriation basis, (ii) the shares have been sold on a recognised stock exchange in India through a stock broker at the ruling market price as determined on the floor of the exchange and (iii) a no objection/tax clearance certificate from income tax authority has been obtained, the sale proceeds may be freely remitted. If a sale was made pursuant to

specific approval of Reserve Bank of India then sale proceeds can be remitted as per the terms of such an approval. If the equity shares underlying the ADSs are sold under the portfolio investment scheme then the sale proceeds may be remitted through an authorized dealer, without the approval of the Reserve Bank of India provided that the equity shares are sold on a recognized stock exchange through a registered stock broker and a no objection/tax clearance certificate from the income-tax authority has been produced.

After the announcement of India's budget for fiscal 2002, the Reserve Bank of India issued certain notifications for the liberalization of the capital account. Pursuant to the notifications, in contrast to prior regulations, two-way fungibility in ADS/GDR issues of Indian companies was introduced, subject to sectoral caps, wherever applicable.

The Reserve Bank of India has issued a notification under the provisions of the Foreign Exchange Management Act, 1999 permitting a registered broker in India to purchase shares of any Indian company on behalf of a person resident outside India, for the purpose of converting the shares so purchased into ADSs provided that:

- the shares are purchased on a recognized stock exchange;
- the Indian company has issued ADSs;
- the shares are purchased with the permission of the custodian of the ADSs of the concerned Indian company and are deposited with the custodian;
- the number of shares so purchased shall not exceed the number of ADSs converted into underlying shares and shall be subject to sectoral caps as applicable; and
- the non-resident investor, broker, custodian and the overseas depositary comply with the provisions of the Scheme for Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depositary Receipt Mechanism) Scheme, 1993 and the guidelines issued thereunder by the government of India from time to time.

On November 23, 2002, the government of India's Ministry of Finance issued Operative Guidelines for Disinvestment of Shares by the Indian Companies in the Overseas Market through the Issue of ADSs. Under these guidelines, the

shareholders may divest their holdings in the overseas market through the mechanism of a sponsored ADS issue by the Indian company. The holdings which may be divested are holdings in Indian companies which are listed either in India or on an overseas exchange. The divestment process is initiated when the Indian company whose shares are being offered for divestment in the overseas market sponsors an ADS issue against the block of existing shares offered by the shareholders under these guidelines. Such ADS issues against existing shares offered for divestment must also comply with the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997, if the ADSs are cancelled and the underlying shares are to be registered with the company. Such divestment would result in foreign equity investment and would also need to conform to the foreign direct investment sectoral policy. All mandatory approvals including those under the Companies Act, 1956 and the approval of the Foreign Investment Promotion Board for foreign equity induction through the offer of existing shares would have to be obtained.

The Reserve Bank of India has permitted Indian companies to retain abroad for any period, the funds raised through an issue of ADSs, in order to meet their future foreign exchange requirement. Further, pending repatriation or utilization, the Indian company may invest the foreign currency funds raised in:

- deposits or certificates of deposit or other products offered by banks who have been rated not less than AA(-) by Standard and Poor's Ratings Service/Fitch IBCA or Aa3 by Moody's Investors Service; and such rating not being less than the applicable rating stipulated by the Reserve Bank of India from time to time.

- deposits with an overseas branch of an authorized dealer in India; and

- treasury bills and other monetary instruments with a maturity or unexpired maturity of one-year or less.

The Reserve Bank of India has permitted resident shareholders of Indian companies, who offer their shares for conversion to ADSs, to receive the sale proceeds in foreign currency. However, the conversion to such ADSs should

have the approval of the Foreign Investment Promotion Board. Further, the sale proceeds received by residents are also permitted to be credited to their Exchange Earners' Foreign Currency/Resident Foreign Currency (Domestic) accounts or to their rupee accounts in India at their option.

MARKET PRICE INFORMATION

Equity Shares

Our outstanding equity shares are currently listed and traded on the Bombay Stock Exchange or the BSE and on the National Stock Exchange of India Limited or the NSE.

At September 22, 2006, 892 million equity shares were outstanding. The prices for equity shares as quoted in the official list of each of the Indian stock exchanges are in Indian rupees.

The following table shows:

- the reported high and low closing prices quoted in rupees for our equity shares on the NSE; and
- the reported high and low closing prices for our equity shares, translated into US dollars, based on the noon buying rate on the last business day of each period presented.

	Price per equity share(1)			
	High	Low	High	Low
Annual prices:				
Fiscal 2002..........................	188.35	67.95	3.86	1.39
Fiscal 2003..........................	161.75	110.55	3.40	2.32
Fiscal 2004..........................	348.25	120.80	8.02	2.78
Fiscal 2005..........................	413.05	230.40	9.47	5.28
Fiscal 2006..........................	628.75	359.95	14.14	8.09
Quarterly prices:				
Fiscal 2005:				
First Quarter........................	319.35	230.40	6.94	5.01
Second Quarter.......................	295.35	234.40	6.43	5.11
Third Quarter........................	374.00	285.35	8.64	6.59
Fourth Quarter.......................	413.05	337.50	9.47	7.74
Fiscal 2006:				
First Quarter........................	433.95	359.95	9.97	8.27
Second Quarter	601.70	421.25	13.69	9.59
Third Quarter........................	593.40	479.90	13.20	10.68
Fourth Quarter.......................	628.75	559.15	14.14	12.57
Fiscal 2007:				
First Quarter........................	662.55	451.20	14.44	9.84
Second Quarter (through September 22, 2006).......	663.40	467.75	14.49	10.22
Monthly prices:				
March 2006..........................	620.40	588.70	13.95	13.24
April 2006...........................	621.90	559.80	13.86	12.48
May 2006.............................	662.55	537.50	14.33	11.63
June 2006............................	551.95	451.20	12.03	9.84
July 2006............................	553.85	467.75	11.91	10.06
August 2006	599.25	547.00	12.91	11.78
September 2006 (through September 22, 2006).......	663.40	596.75	14.49	13.04

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(1) Data from the NSE. The prices quoted on the BSE may be different.

At September 22, 2006 the closing price of equity shares on the NSE was Rs. 654.90 equivalent to US$ 14.31 per equity share (US$ 28.62 per ADS on an imputed basis) translated at the noon buying rate of Rs. 45.77 per US$ 1.00 on September 22, 2006.

At August 31, 2006, there were approximately 485,122 holders of record of our equity shares, of which 112 had registered addresses in the placeUnited States and held an aggregate of approximately 22,576 equity shares.

ADSs

Our ADSs, each representing two equity shares, were originally issued in March 2000 in a public offering and are listed and trade on the New York Stock Exchange under the symbol IBN. The equity shares underlying the ADSs are listed on the BSE and the NSE.

At August 31, 2006, ICICI Bank had approximately119 million ADSs, equivalent to 239 million equity shares, outstanding. At this date, there were 125 record holders of ICICI Bank's ADSs, out of which 117 have registered addresses in the United States.

The following table sets forth, for the periods indicated, the reported high and low closing prices on the New York Stock Exchange for our outstanding ADSs traded under the symbol IBN.

	Price per ADS	
	High	Low
Annual prices:		
Fiscal 2002	7.50	2.70
Fiscal 2003	8.26	4.84
Fiscal 2004	18.33	5.27
Fiscal 2005	22.65	11.25
Fiscal 2006	32.26	18.08
Quarterly prices:		
Fiscal 2004:		
First Quarter	7.27	5.27
Second Quarter	10.56	7.23
Third Quarter	17.91	10.90
Fourth Quarter	18.33	13.50
Fiscal 2005:		
First Quarter	17.25	11.57
Second Quarter	13.91	11.25
Third Quarter	20.45	13.76
Fourth Quarter	22.65	18.27
Fiscal 2006:		
First Quarter	22.23	18.08
Second Quarter	28.25	22.00
Third Quarter	29.47	22.04
Fourth Quarter	32.26	27.68
Fiscal 2007:		
First Quarter	30.27	22.49
Second Quarter (through September 22, 2006)	29.23	21.25
Monthly prices:		
March 2006	32.26	27.68
April 2006	29.79	25.70
May 2006	30.27	26.10
June 2006	27.20	22.49
July 2006	26.23	21.25
August 2006	27.61	26.01
September 2006 (through September 22, 2006	29.23	26.18

See also "Risk Factors -- Risks relating to the ADSs and Equity Shares -- Conditions in the Indian securities market may adversely affect the price or liquidity of our equity shares and ADSs."

RESTRICTION ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

India strictly regulates ownership of Indian companies by foreigners. Foreign investment in Indian securities, including the equity shares represented by the ADSs, is generally regulated by the Foreign Exchange Management Act, 1999, which permits transactions involving the inflow or outflow of foreign exchange and empowers the Reserve Bank of India to prohibit or regulate such transactions.

The Foreign Exchange Management Act, 1999 regulates transactions involving foreign exchange and provides that certain transactions cannot be carried out without the general or special permission of the Reserve Bank of India. The Foreign Exchange Management Act, 1999 has eased restrictions on current account transactions. However, the Reserve Bank of India continues to exercise control over capital account transactions (i.e., those which alter the assets or liabilities, including contingent liabilities, of persons). The Reserve Bank of India has issued regulations under the Foreign Exchange Management Act, 1999 to regulate the various kinds of capital account transactions, including certain aspects of the purchase and issuance of shares of Indian companies.

Under the foreign investment rules, the following are the restrictions on foreign ownership applicable to us:

- Foreign investors may own up to 74.0 % of our equity shares subject to conformity with guidelines issued by the Reserve Bank of India from time to time. This limit is under the automatic route and does not require specific approval of the Foreign Investment Promotion Board. This limit includes foreign direct investment, ADSs, Global Depositary Receipts and investment under the Portfolio Investment Scheme by foreign institutional investors and also non-resident Indians, and also includes shares acquired by subscription to private placements and public offerings and acquisition of shares from existing shareholders. Aggregate foreign investment in ICICI Bank from all sources is allowed up to a maximum of 74 % of the paid up capital of the Bank. At least 26 % of the paid up capital would have to be held by residents.

- Under the Issue of Foreign Currency Convertible Bonds and Equity Shares (Through Depositary Receipt Mechanism) Scheme, 1993, foreign investors may purchase ADSs, subject to the receipt of all necessary government approvals at the time the depositary receipt program is set up.

- Under the portfolio investment scheme, foreign institutional investors, subject to registration with the Securities and Exchange Board of India and the Reserve Bank of India, may hold in aggregate up to 24.0% of our paid-up equity capital and this limit may be raised to 49% by a resolution of our Board of Directors provided that no single foreign institutional investor may own more than 10.0% of our total paid-up equity capital. Our Board of Directors has raised this limit to 49%. Registered FIIs are also permitted to purchase shares or convertible debentures of an Indian company in an offering or private placement. The shareholding of an individual non-resident Indian is restricted to 5.0% of our total paid-up equity capital. The aggregate paid-up value of the shares in a company purchased by all NRIs in the aggregate is to be limited to 10% of the paid-up capital of the company and this limit may be raised to 24 % by a special resolution

at a general meeting of the shareholders of the company.

- The Reserve Bank of India's guidelines relating to acquisition by purchase or otherwise of shares of a private sector bank, if such acquisition results in any person owning or controlling 5.0 % or more of the paid up capital of the bank, are also applicable to foreign investors investing in our shares. For more details on the Reserve Bank of India guidelines relating to acquisition by purchase or otherwise of shares of a private bank, see "Supervision and Regulation - Reserve Bank of India Regulations - Ownership Restrictions".

- Since we have joint ventures in the insurance sector, applications for foreign direct investment in ICICI Bank when required by applicable law or regulation, have to be addressed to the Reserve Bank of India for consideration in consultation with the Insurance Regulatory and Development Authority in order to ensure that the 26% limit of foreign shareholding applicable for the insurance sector is not breached.

Pursuant to a circular dated November 29, 2001, the Reserve Bank of India notified that, as of that date, overseas corporate bodies are not permitted to invest under the portfolio investment scheme, though they may

continue to hold investments that have already been made under the portfolio investment scheme until such time as these investments are sold on the stock exchange.

An Indian company may sponsor an issue of ADSs with an overseas depositary against shares held by its shareholders at a price to be determined by the lead manager. Under this mechanism the company offers its residents a choice to submit their shares back to the company so that on the basis of such shares, ADRs can be issued abroad. The proceeds of the issue must be repatriated to India within a period of one month. The sponsoring company must comply with the provisions of the Scheme for Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depositary Receipt Mechanism) Scheme, 1993 and the guidelines issued thereunder by the Government of India from time to time. The sponsoring company must also furnish full details of the issue in the prescribed forms to the Reserve Bank of India within 30 days from the date of closure of the issue.

We obtained the approval of the Foreign Investment Promotion Board for our ADS offering in March 2000 and sponsored an ADS offering in March 2005 which were foreign direct investments. The investments through the portfolio investment scheme in the secondary market in India by foreign institutional investors, non-resident Indians and overseas corporate bodies and investments through the foreign direct investment scheme are distinct schemes that are available concurrently. As of September 23, 2006, foreign investors owned approximately 73.1% of our equity in total, of which 26.7% was through the ADS program.

An investor in ADSs does not need to seek the specific approval from the government of India to purchase, hold or dispose of ADSs. In the ADS offerings, we obtained the approval of the government of India's Department of Company Affairs and the relevant stock exchanges.

Equity shares which have been withdrawn from the depositary facility and transferred on our register of shareholders to a person other than the depositary or its nominee may be voted by that person provided the necessary

procedural requirements have been met. However, you may not receive sufficient advance notice of shareholder meetings to enable you to withdraw the underlying equity shares and vote at such meetings.

Notwithstanding the foregoing, if a foreign institutional investor, non-resident Indian or overseas corporate body were to withdraw its equity shares from the ADS program, its investment in the equity shares would be subject to the general restrictions on foreign ownership noted above and may be subject to the portfolio investment restrictions. Secondary purchases of securities of a banking company in India by foreign direct investors or investments by non-resident Indians, overseas corporate bodies and foreign institutional investors above the ownership levels set forth above require government of India approval on a case-by-case basis. It is unclear whether similar case-by-case approvals of ownership of equity shares withdrawn from the depositary facility by foreign institutional investors, non-resident Indians and overseas corporate bodies would be required.

You will be required to make a public offer to the remaining shareholders if you withdraw your equity shares from the ADS program and your direct or indirect holding in us exceeds 15.0% of our total equity under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997.

ADSs issued by Indian companies to non-residents have free transferability outside India. Under current Indian regulations and practice, approval of the Reserve Bank of India is not required for the sale of equity shares underlying the ADSs by a non-resident of India to a resident of India if the sale has been executed on a recognized stock exchange in India through a registered broker at the prevailing market price. Approval of the Reserve Bank of India is also not required for a sale of shares of a company other than a company in the financial services sector, even if the transfer is other than on a recognized stock exchange in India or through a registered broker, as long as conditions generally prescribed by Reserve Bank of India are complied with. The same restrictions apply to a renunciation of rights to a resident of India. Approval of the Reserve Bank of India is not required for sale of shares under the portfolio investment scheme prescribed by the Reserve Bank of India provided the sale is made on a recognized stock exchange and through a registered stock broker.

Any new issue of equity shares of a banking company, either through the automatic route or with the specific approval of the Foreign Investment Promotion Board, does not require further approval of the Reserve Bank of India, but must comply with certain reporting requirements.

DIVIDENDS

Under Indian law, a company pays dividends upon a recommendation by its Board of Directors and approval by a majority of the shareholders at the annual general meeting of shareholders held within six months of the end of each fiscal year. The shareholders have the right to decrease but not increase the dividend amount recommended by the Board of Directors. Dividends may be paid out of the company's profits for the fiscal year in which the dividend is declared or out of undistributed profits of prior fiscal years. ICICI Bank paid dividends consistently every year from fiscal 1996, the second year of its operations. ICICI Bank paid the dividend for fiscal 2002 as an interim dividend during fiscal 2002 itself and accordingly there was no dividend outflow during fiscal 2003 in respect of dividends declared for fiscal 2002. For fiscal 2003,

we paid a dividend, excluding dividend tax, of Rs.7.50 (US$0.16) per equity share aggregating to Rs.4.6 billion (US$103 million) which was paid in fiscal 2004. For fiscal 2004, we paid a dividend, excluding dividend tax, of Rs.7.50 (US$0.16) per equity share aggregating to Rs.5.4 billion (US$122 million). The amount of Rs.5.4 billion (US$122 million) excludes the impact of the issue of 6,992,187 equity shares on May 24, 2004 through the exercise of the overallotment option in the issue of equity shares in April 2004. The dividend for fiscal 2004 was paid in fiscal 2005. For fiscal 2005, we paid a dividend, excluding dividend tax, of Rs.7.50 (US$0.16) per equity share and a special dividend, excluding dividend tax, of Rs.1.00 (US$0.02) per equity share to mark the completion of 50 years in finance by ICICI group aggregating to Rs.6.3 billion (US$141 million), which we paid out in August 2005. For fiscal 2006, we paid a dividend, excluding dividend tax, of Rs.8.50 (US$0.19) per equity share aggregating to Rs.7.6 billion (US$171 million), which we paid out in July 2006.

The following table sets forth, for the periods indicated, the dividend per equity share and the total amount of dividends paid out on the equity shares during the fiscal year by ICICI Bank, each exclusive of dividend tax. This may be different from the dividend declared for the year.

	Dividend per equity share	Total amount of dividends paid
		(in millions)
Dividend paid during the fiscal year		
2002(1)	4.00(1)	881
2003	--	--
2004	7.50	4,598
2005	7.50	5,507
2006	8.50	6,292

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(1) Includes dividend of Rs.2.00 per share declared for each of the fiscal years 2001 and 2002.

Dividend income is tax-exempt in the hands of shareholders. However, we are required to pay a tax on distributed profits. We were required to pay a 14.0% tax (including surcharge) on distributed profits in fiscal 2006. In fiscal 2007, we are required to pay a 14.0% tax (including surcharge) on distributed profits.

Future dividends will depend upon our revenues, cash flow, financial condition, the regulations of the Reserve Bank of India and other factors. Owners of ADSs will be entitled to receive dividends payable in respect of the equity shares represented by such ADSs. The equity shares represented by ADSs rank pari passu with existing equity shares. At present, we have equity shares issued in India and equity shares represented by ADSs.

Pursuant to guidelines issued by the Securities and Exchange Board of India in February 2000, with respect to equity shares issued by us during a particular fiscal year, dividends declared and paid for such fiscal year are paid in full and are no longer prorated from the date of issuance to the end of such fiscal year.

Before paying any dividend on our shares, we are required under the Indian Banking Regulation Act to write off all capitalized expenses (including preliminary expenses, organization expenses, share-selling commission, brokerage, amounts of losses incurred or any other item of expenditure not represented by tangible assets). Before declaring dividends, we are required to transfer at least 20.0% of the balance of profits of each year before payment of dividend to a reserve fund. The government of India may, however, on the recommendation of the Reserve Bank of India, exempt us from such a requirement.

As per the revised guidelines issued by Reserve Bank of India, only

those banks, which comply with certain minimum prudential requirements with respect to capital adequacy, net non-performing asset ratio and other criteria, are eligible to declare dividends without prior approval of Reserve Bank of India. Further, the guidelines prescribe a matrix for the maximum permissible range of dividend payout ratios with a ceiling of 40.0%, excluding dividend tax, for banks. Banks, which comply with the prudential requirements of the above guidelines, but desire to declare dividends higher than the specified ceiling must obtain prior approval of Reserve Bank of India for declaration of such higher dividend. Any bank that does not meet the criteria prescribed above has to obtain the prior approval of Reserve Bank of India before declaring any dividend. For a description of the revised guidelines issued by the Reserve Bank of India, please see "Supervision and Regulation - Reserve Bank of India Regulations - Restrictions on Payment of Dividends". We also need the prior approval from the Reserve Bank of India to pay an interim dividend.

For a description of the tax consequences of dividends paid to shareholders, see "Taxation -- Indian Tax -- Taxation of Distributions".

The following table sets forth, for the periods indicated, the dividend per equity share and the total amount of dividends paid out on the equity shares during the year, each exclusive of dividend tax, for ICICI, prior to the amalgamation. This may be different from the dividend declared for the year.

	Dividend per equity share(1)	Total amount of dividends paid
		(in millions)
Dividend paid during the fiscal year		
1999	Rs. 11.00	Rs. 2,618
2000	11.00	2,641
2001	11.00	3,505
2002(2)	22.00	8,639

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(1) For fiscal 1999, 2000, 2001 and 2002, based on the exchange ratio of 1:2 in which shareholders of ICICI were issued shares of ICICI Bank, number of shares have been adjusted by dividing by two. Hence, these numbers are different from the numbers reported in the annual report on Form 20-F for fiscal 2002.

(2) Includes dividend of Rs.11.00 per share declared for each of the fiscal years 2001 and 2002, both of which were paid during fiscal 2002.

TAXATION

Indian Tax

The following discussion of material Indian tax consequences to investors in ADSs and equity shares who are not resident in India whether of Indian origin

or not (each a "non-resident") is based on the provisions of the Indian Income-tax Act, 1961 (the "Income-tax Act"), including the special tax regime for ADSs contained in Section 115AC, which has been extended to cover additional ADSs that an investor may acquire in an amalgamation or restructuring of the company, and certain regulations implementing the Section 115AC regime. The Income-tax Act is amended every year by the Finance Act of the relevant year. Some or all of the tax consequences of described herein may be amended or modified by future amendments to the Income-tax Act.

The summary is not intended to constitute a complete analysis of the tax consequences under Indian law of the acquisition, ownership and sale of ADSs and equity shares by non-resident investors. Potential investors should, therefore, consult their own tax advisers regarding the tax consequences of such acquisition, ownership and sale, including the tax consequences under Indian law, the law of the jurisdiction of their residence, any tax treaty between India and their country of residence, and in particular the application of the regulations implementing the Section 115AC regime.

Residence

For the purpose of the Income-tax Act, an individual is a resident of India during any fiscal year, if he (i) is in India in that year for 182 days or more or (ii) having been in India for a period or periods aggregating 365 days or more during the four years preceding that fiscal year, is in India for a period or periods aggregating 60 days or more in that fiscal year. The period of 60 days is substituted by 182 days in the case of an Indian citizen or person of Indian origin who being resident outside India comes on a visit to India during the fiscal year or an Indian citizen who leaves India for the purposes of his employment during the fiscal year. A company is resident in India in any fiscal year if it is registered in India or the control and management of its affairs is situated wholly in India in that year. A firm or other association of persons is resident in India except where the control and the management of its affairs are situated wholly outside India.

Taxation of Distributions

Dividends paid are not subject to any Indian withholding or other tax. However, we are required to pay tax at the rate of 14.025% on the dividends distributed by us. The dividend so paid is not taxable under section 115AC in the hands of the ADS holders.

Taxation on Redemption of ADSs

The acquisition of equity shares upon redemption of ADSs by a non-resident investor will not give rise to a taxable event for Indian tax purposes.

Taxation on Sale of ADSs or Equity Shares

Any transfer of ADSs outside India by a non-resident investor to another non-resident investor will not give rise to Indian capital gains tax in the hands of the transferor.

Subject to any relief under any relevant double taxation treaty, gain arising from the sale of an equity share will generally give rise to a liability for Indian income tax in the hands of the transferor. Such tax is required to be withheld at source. Such gains would either be taxable as capital gains or business income, depending upon the nature of holding of the investor. Where the equity share has been held for more than 12 months (measured from the date of advice of redemption of the ADS by the Depositary as specified below), the resulting long term capital gains would be exempt from tax. Where the equity share has been held for 12 months or less, the resulting short-term capital gains in the case of non-residents would be taxable at a lower tax rate of

10.2%(including education cess) where the total income does not exceed Rs.1,000,000 (US$22,482) or 11.22% (including applicable surcharge and education cess) where the total income exceeds Rs.1,000,000 (US$ 22,482) during the fiscal year. These rates of tax are applicable provided the gains are treated as capital gains and provided the shares are sold on the recognized

Indian stock exchanges and are liable to securities transaction tax. In other cases, the rate of tax applicable under the provisions of the Income-tax Act varies, subject to a maximum of 41.82% (including applicable surcharges and education cess). The actual rate depends on a number of factors, including without limitation the nature of the non-resident investor.

Capital gains may be exempt from taxation or the tax rates mentioned above may be lowered as per the provisions of any double taxation treaty entered into by the government of India with the country of residence of the non-resident investors. The double taxation treaty between the United States and India does not provide US residents with any relief from Indian tax on capital gains.

The transaction of sale of equity shares entered into a recognised stock exchange in India settled by actual delivery or transfer will be subject to securities transaction tax at the rate of 0.125% (0.1% for a period up to May 31, 2006), on the value of the transaction, payable by the seller and buyer respectively.

For purposes of determining the amount of capital gains arising on a sale of an equity share for Indian tax purposes, the cost of acquisition of an equity share received upon redemption of an ADS will be the price of the share prevailing on the Stock Exchange, Mumbai or the National Stock Exchange on the date on which the Depositary advises the custodian of such redemption, not the acquisition cost of the ADS being redeemed. The holding period of an equity share received upon redemption of an ADS will commence on the date of advice of redemption by the Depositary.

Rights

Distributions to non-resident investors of additional ADSs or equity shares or rights to subscribe for equity shares made with respect to ADSs or equity shares are not subject to Indian tax in the hands of the non-resident investor.

It is unclear as to whether capital gains derived from the sale of rights outside India by a non-resident investor that is not entitled to exemption under a tax treaty to another non-resident investor will be subject to Indian capital gains tax. If the rights are deemed by the Indian tax authorities to be situated within India, as our situs is in India, then the capital gains realized on the sale of rights will be subject to customary Indian capital gains taxation as discussed above.

Stamp Duty

Upon the issuance of the equity shares underlying the ADSs, we are required to pay a stamp duty of 0.1% of the issue price per share. A transfer of ADSs is not subject to Indian stamp duty. Normally, upon the receipt of equity shares in physical form from the depositary in exchange for ADSs representing such equity shares, a non-resident investor would be liable for Indian stamp duty applicable on re-issuance in physical form, which is the same as stamp duty payable on the original issuance in physical form subject to a maximum of Rs.100 per share certificate. Similarly, a sale of equity shares in physical form by a

non-resident investor would also be subject to Indian stamp duty at the rate of 0.25% of the market value of the equity shares on the trade date, although customarily such tax is borne by the transferee, that is, the purchaser. However, our equity shares are compulsorily delivered in non-physical form except for trades up to 500 shares only, which may be delivered in physical form. Under Indian stamp law, no stamp duty is payable on the acquisition or transfer of equity shares in non-physical form. The State of Maharashtra has, inter alia, provided that records of transactions, electronic or otherwise, whether electronic or otherwise, of transactions effected by a trading member of a stock exchange through a stock exchange shall be liable to payment of stamp duty in the case of delivery, at the rate of 0.01%, rounded off to the next rupee, in the case of non-delivery, at the rate of 0.002%, rounded off to the next rupee and if relating to futures and options trading, at the rate of 0.002%, rounded off to the next rupee.

Other Taxes

At present, there are no taxes on wealth, gifts or inheritance which apply to the ADSs or underlying equity shares.

Service Tax

Brokerage fees paid to stockbrokers in connection with the sale or purchase of shares which are listed on any recognized stock exchange in India are subject to a service tax at a rate of 12.24% (including applicable education cess) enhanced from 10.2% (including applicable education cess) with effect from April 18, 2006. The stockbroker is responsible for collecting the service tax and paying it to the relevant authority.

United States Tax

The following discussion describes the material US federal income tax consequences of the acquisition, ownership and sale of ADSs or equity shares that are generally applicable to US investors. For these purposes, you are an US investor if, for US federal income tax purposes, you are:

1. a citizen or resident of the United States;

2. a corporation, or other entity taxable as a corporation, organized under the laws of the United States or of any political subdivision of the United States; or

3. an estate or trust the income of which is includable in gross income for US federal income tax purposes regardless of its source.

This discussion only applies to ADSs or equity shares that you own as capital assets.

Please note that this discussion does not discuss all of the tax consequences that may be relevant in light of your particular circumstances. In particular, it does not address investors subject to special rules, including:

1. insurance companies;

2. tax-exempt entities;

3. dealers and certain traders in securities;

4. certain financial institutions;

5. persons who own the ADSs or equity shares as part of an integrated investment (including a straddle, hedging or conversion transaction) comprised of the ADS or equity shares, and one or more other positions for US federal income tax purposes;

6. persons whose functional currency is not the US dollar;

7. persons who own, actually or constructively, 10.0% or more of ICICI Bank's voting stock; or

8. partnerships or other entities classified as partnerships for US federal income tax purposes.

This discussion is based on the tax laws of the United States (including the Internal Revenue Code of 1986, as amended, referred to as the "Code"), Treasury Regulations, Proposed Treasury Regulations, Revenue Rulings and judicial decisions as of the date hereof. These laws may change, possibly with retroactive effect.

This discussion is also based in part on representations by the depositary and assumes that each obligation under the deposit agreement and any related agreement will be performed in accordance with its terms. Furthermore, the US Treasury has expressed concerns that parties to whom ADSs are pre-released may be taking actions that are inconsistent with the claiming of foreign tax credits for US investors of ADSs. Such actions would also be inconsistent with the claiming of the reduced rate of tax, described below, applicable to dividends received by certain non-corporate US investors. Accordingly, the analysis of the creditability of Indian taxes and the availability of the reduced tax rate for dividends received by certain non-corporate US investors, each described below, could be affected by actions taken by parties to whom ADSs are pre-released.

For US federal income tax purposes, if you own an ADS, you will generally be treated as the owner of the equity shares underlying the ADS.

Please consult your tax adviser with regard to the application of the US federal income tax laws to the ADSs or equity shares in your particular circumstances, including the passive foreign investment company rules described below, as well as any tax consequences arising under the laws of any state, local or other taxing jurisdiction.

This discussion assumes that ICICI Bank is not, and will not become, a passive foreign investment company (as discussed below).

Taxation of Dividends

Dividends you receive on the ADSs or equity shares, other than certain pro rata distributions of equity shares or rights to acquire equity shares to all holders of equity shares (including holders of ADSs), will generally constitute foreign source dividend income for US federal income tax purposes. The amount of the dividend you will be required to include in income will equal the US dollar value of the rupees, calculated by reference to the exchange rate in effect on the date the payment is received by the depositary (in the case of ADSs) or by you (in the case of equity shares) regardless of whether the payment is

converted into US dollars on the date of receipt. If you realize gain or loss on a sale or other disposition of rupees, it will be US source ordinary income or loss. If you are a corporate US investor, you will not be entitled to claim a dividends-received deduction for dividends paid by ICICI Bank. Subject to applicable limitations and the discussion above regarding concerns expressed by the U.S. Treasury, if you are a non-corporate US investor, dividends paid to you in taxable years beginning before January 1, 2011 will be taxable at a maximum rate of 15.0%. If you are a non-corporate US investor, you should consult your own tax adviser to determine whether you are subject to any special rules that limit your ability to be taxed at this favorable rate.

Taxation of Capital Gains

You will recognize capital gain or loss for US federal income tax purposes on the sale or exchange of ADSs or equity shares in the same manner as you would on the sale or exchange of any other shares held as capital assets. The gain or loss will generally be US source income or loss. You should consult your own tax advisers about the treatment of capital gains, which may be taxed at lower rates than ordinary income for non-corporate taxpayers, and capital losses, the deductibility of which may be limited.

Under certain circumstances as described under "Taxation - Indian Tax - Taxation on Sale of ADSs or Equity Shares", you may be subject to Indian tax upon the disposition of equity shares. You should consult your own tax adviser with respect to your ability to credit this Indian tax against your US federal income tax liability.

Passive Foreign Investment Company Rules

Based upon certain proposed Treasury regulations, which are proposed to be effective for taxable years beginning after December 31, 1994, and upon certain management estimates, ICICI Bank does not expect to be a PFIC for its taxable year that ended March 31, 2006 or in the foreseeable future. In general, a foreign corporation is a PFIC for any taxable year in which (i) 75.0% or more of its gross income consists of passive income (such as dividends, interest, rents and royalties) or (ii) 50.0% or more of the average quarterly value of its assets consists of assets that produce, or are held for the production of, passive income. Since there can be no assurance that the proposed regulations will be finalized in their current form, the manner of the application of the proposed regulations is not entirely clear, and the composition of ICICI Bank's income and assets will vary over time, there can be no assurance that ICICI Bank will not be considered a PFIC for any taxable year.

If ICICI Bank were treated as a PFIC for any taxable year during your holding period and you have not made the mark-to-market election, as described below, you will be subject to special rules generally intended to eliminate any benefits from the deferral of US federal income tax that a holder could derive from investing in a foreign corporation that does not distribute all of its earnings on a current basis. Upon a disposition of ADSs or equity shares, including, under certain circumstances, a disposition pursuant to an otherwise tax-free reorganization, gain recognized by you would be allocated ratably over your holding period for the ADSs or equity shares. The amounts allocated to the taxable year of the disposition and to any year before ICICI Bank became a passive foreign investment company would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations, as appropriate, and an interest charge would

be imposed on the amount allocated to such taxable year. Further, any distribution in respect of ADSs or equity shares in excess of 125.0% of the average of the annual distributions on ADSs or equity shares received by you during the preceding three years or your holding period, whichever is shorter, would be subject to taxation as described above.

If the ADSs or equity shares are "regularly traded" on a "qualified exchange", you may make a mark-to-market election. The ADSs or equity shares will be treated as "regularly traded" in any calendar year in which more than a de minimis quantity of the ADSs or equity shares, as the case may be, are traded on a qualified exchange on at least 15 days during each calendar quarter. A "qualified exchange" includes a foreign exchange that is regulated by a governmental authority in which the exchange is located and with respect to which certain other requirements are met. The Internal Revenue Service has not yet identified specific foreign exchanges that are "qualified" for this purpose. The New York Stock Exchange on which the ADSs are traded is a qualified exchange for US federal income tax purposes.

If you make the election, you generally will include as ordinary income the excess, if any, of the fair market value of the ADSs or equity shares at the end of each taxable year over their adjusted basis, and will be permitted an ordinary loss in respect of the excess, if any, of the adjusted basis of the ADSs or equity shares over their fair market value at the end of the taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). If you make the election, your basis in the ADSs or equity shares will be adjusted to reflect any such income or loss amounts. Any gain recognized on the sale or other disposition of ADSs or equity shares will be treated as ordinary income.

If you own ADSs or equity shares during any year in which ICICI Bank is a PFIC, you must file Internal Revenue Service Form 8621.

In addition, if we were to be treated as a PFIC in a taxable year in which we pay a dividend or the prior taxable year, the 15.0% dividend rate discussed above with respect to payment of dividends to certain non-corporate US investors would not apply.

Information reporting and backup withholding

Payment of dividends and sales proceeds that are made within the United States or through certain US-related financial intermediaries generally are subject to information reporting and to backup withholding unless (i) you are a corporation or other exempt recipient or (ii) in the case of backup withholding, you provide a correct taxpayer identification number and certify that no loss of exemption from backup withholding has occurred.

The amount of any backup withholding from a payment to you will be allowed as a credit against your US federal income tax liability and may entitle you to a refund, provided that the required information is timely furnished to the Internal Revenue Service.

PRESENTATION OF FINANCIAL INFORMATION

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 consolidated financial statements prepared according to Indian GAAP, which varies in certain respects from US GAAP. For a reconciliation of net income and stockholders' equity to US GAAP, a description of significant differences between Indian GAAP and US GAAP and certain additional information required under US GAAP, see notes 22 and 23 to our consolidated financial statements herein. For selected financial data in accordance with US GAAP see "Selected Financial Data in accordance with US GAAP."

The data for fiscal 2002 through fiscal 2006 have been derived from our consolidated financial statements. The accounting and reporting policies used in the preparation of our financial statements reflect general industry practices and conform with Indian GAAP including the Accounting Standards (AS) issued by Institute of Chartered Accountants of India, guidelines issued by the Reserve Bank of India, the Insurance Regulatory and Development Authority and the National Housing Bank as applicable to relevant companies.

The financial statements for fiscal 2002 were audited by S.B. Billimoria & Co., Chartered Accountants under auditing standards in India issued by the Institute of Chartered Accountants of India (ICAI), for fiscal 2003 jointly by N.M. Raiji & Co., Chartered Accountants and S.R. Batliboi & Co, Chartered Accountants. under auditing standards in India issued by ICAI and for fiscal 2004, 2005 and 2006 by S.R. Batliboi & Co., Chartered Accountants . under auditing standards in India issued by ICAI. The financial position as of March 31, 2005 and 2006 and the results of operations and cash flows for each of the years in the three-year period ended March 31, 2006 have also been audited by KPMG India, our independent accountants in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our financial statements as per Indian GAAP along with the reconciliation of net profit and stockholders' equity to US GAAP, including the notes to these financial statements, audited by KPMG India are set forth at the end of this annual report.

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

The Statement on Financial Accounting Standard No. 141 on "Business Combinations", issued by the Financial Accounting Standards Board, requires that business combinations be accounted for in the period in which the combination is

consummated. The effective date of the amalgamation for accounting purposes under US GAAP was April 1, 2002. Accordingly, under US GAAP, the amalgamation was reflected for fiscal 2003, as it was consummated in April 2002. Under US GAAP, the amalgamation was accounted for as a reverse acquisition. This means that ICICI was recognized as the accounting acquirer in the amalgamation, although ICICI Bank was the legal acquirer. Accordingly, any financial information contained in this annual report for fiscal 2002 and prior years under US GAAP, except where specifically stated otherwise, present the assets, liabilities and results of operations of ICICI.

Under US GAAP, the consolidation of ICICI's majority ownership interest in two insurance companies, ICICI Prudential Life Insurance Company Limited and ICICI Lombard General Insurance Company Limited, because of substantive participative rights retained by the minority shareholders, is accounted for by the equity method. Under Indian GAAP these insurance subsidiaries are fully consolidated. For fiscal 2004, ICICI Prudential Life Insurance Company Limited and ICICI Lombard General Insurance Company Limited have been accounted as joint ventures using the proportionate consolidation method as prescribed by Accounting Standard 27 (AS 27) on "Financial Reporting of Interests in Joint Ventures". Therefore, our consolidated financial statements include only 74% share

(ICICI Bank's share in each of the two joint ventures) of each line item reflected in the financial statements of these two entities for fiscal 2004. From fiscal 2005 onwards, these two entities have been accounted as per the principles of Accounting Standard 21 (AS 21) on "Consolidated Financial Statements", as required by the revision in AS 27. Therefore from fiscal 2005, our consolidated financial statements include 100% of each line item reflected in the financial statements of these two entities with a separate disclosure for minority interest.

Under Indian GAAP, we have not consolidated certain entities (primarily 3i Infotech and ICICI OneSource Limited) in which control is intended to be temporary. However under US GAAP, these entities have been consolidated as SFAS No. 94 on "Consolidation of majority owned subsidiaries" requires consolidation of such entities.

Although we have translated in this annual report certain rupee amounts into dollars for convenience, this does not mean that the rupee amounts referred to could have been, or could be, converted into dollars at any particular rate, the rates stated earlier in this annual report, or at all. Except in the section on "Market Price Information", all translations from rupees to dollars are based on the noon buying rate in the City of New York for cable transfers in rupees at March 31, 2006. The Federal Reserve Bank of New York certifies this rate for customs purposes on each date the rate is given. The noon buying rate on March 31, 2006 was Rs. 44.48 per US$ 1.00.

ADDITIONAL INFORMATION

Memorandum and Articles of Association

Objects and Purposes

Pursuant to Clause III. A. 1 of ICICI Bank's Memorandum of Association, ICICI Bank's main objective is to, inter alia, carry on the business of banking in any part of India or outside India.

Directors' Powers

ICICI Bank's directors' powers include the following:

- Article 140 of the Articles of Association provides that no director of ICICI Bank shall, as a director, take any part in the discussion of or vote on any contract or arrangement if such director is directly or indirectly concerned or interested in such contract or arrangement.

- Directors have no powers to vote in absence of a quorum.

- Article 83 of the Articles of Association provides that the directors may by a resolution passed at a meeting of the Board of Directors borrow moneys and raise and secure the payment of amounts in a manner and upon such terms and conditions in all respects as they think fit and in particular by the issue of bonds, debenture stock, or any mortgage or charge or other security on the undertaking or the whole or any part of the property of ICICI Bank (both present and future) including its uncalled capital.

Amendment to Rights of Holders of Equity Shares

Any change to the existing rights of the equity holders can be made only by amending the Articles of Association which would require a special resolution of the shareholders, which must be passed by not less than three times the number of votes cast against the resolution.

Change in Control Provisions

Article 59 of the Articles of Association provides that the Board of Directors may at their discretion decline to register or acknowledge any transfer of shares in respect of shares upon which we have a lien or whilst any money in respect of the shares desired to be transferred or any of them remain unpaid. Moreover, the Board of Directors may refuse to register the transfer of any shares if the total nominal value of the shares or other securities intended to be transferred by any person would, together with the total nominal value of any shares held in ICICI Bank, exceed 1% of the paid up equity share capital of the merged entity or if the Board of Directors is satisfied that as a result of such transfer, it would result in the change in the Board of Directors or change in the controlling interest of ICICI Bank and that such change would be prejudicial to the interests of ICICI Bank. However, under the Indian Companies Act, the enforceability of such transfer restrictions is unclear.

Documents on Display

The documents concerning us which are referred to herein may be inspected at the Securities and Exchange Commission ("SEC"). You may read and copy any document filed or furnished by us at the SEC's public reference rooms in Washington D.C., New York and Chicago, Illinois or obtain them by mail upon payment of prescribed rates. Please call the SEC at 1-800-SEC-0330 for further information. The SEC also maintains a website at www.sec.gov, which contains, in electronic form, each of the reports and other information that we have filed electronically with the SEC. Information about ICICI Bank is also available on the web at www.icicibank.com.

Incorporation by Reference

We incorporate by reference the information disclosed under "Description of Equity Shares" and "Description of the American Depositary Shares" in ICICI Bank's Registration Statement on Form F-1 (File No. 333-30132).

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
ICICI Bank Limited

We have audited the accompanying consolidated balance sheet of ICICI Bank Limited and subsidiaries ('the Company') as on March 31, 2006 and 2005 and the related consolidated profit and loss accounts and consolidated cash flow statements for each of the years in the three-year period ended March 31, 2006. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ICICI Bank Limited and subsidiaries as at March 31, 2006 and 2005, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2006, in conformity with generally accepted accounting principles in India.

Accounting principles generally accepted in India vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in Note 22 to the consolidated financial statements.

The United States dollar amounts are presented in the accompanying consolidated financial statements solely for the convenience of the readers and have been translated into United States dollars on the basis described in Note 24 to the consolidated financial statements.

Mumbai, India KPMG
June 11, 2006

ICICI Bank Limited and Subsidiaries
Consolidated Balance Sheets

(Rs. in thousands

	Schedule	As of March 31, 2005	As of March 31, 2006	Convenience translation into US$, As of March 31, 2006
CAPITAL AND LIABILITIES				
Capital	1	10,867,758	12,398,345	278,740
Reserves and Surplus	2	115,374,366	213,519,487	4,800,348
Minority interest		1,524,823	2,749,402	61,812
Deposits	3	1,011,086,273	1,724,509,830	38,770,455
Borrowings	4	383,690,219	449,999,477	10,116,895
Liabilities on policies in force		34,475,904	81,221,053	1,826,013
Other liabilities and provisions	5	227,317,270	287,898,021	6,472,527
TOTAL CAPITAL AND LIABILITIES		1,784,336,613	2,772,295,615	62,326,790
ASSETS				
Cash and balance with Reserve Bank	6	63,701,428	89,859,352	2,020,219
Balances with banks and money at call short notice	7	72,575,590	92,691,597	2,083,894
Investments	8	546,516,162	840,138,822	18,888,013
Advances	9	964,099,562	1,562,603,202	35,130,468
Fixed assets	10	41,781,927	41,428,705	931,401
Other assets	11	95,661,944	145,573,937	3,272,795
TOTAL ASSETS		1,784,336,613	2,772,295,615	62,326,790
Contingent liabilities	12	2,961,013,608	4,362,316,361	98,073,659
Bills for collection		23,971,962	43,469,104	977,273
Significant accounting policies and notes to accounts	18			

The Schedules referred to above form an integral part of the Balance Sheet.

ICICI Bank Limited and Subsidiaries
Consolidated Profit and Loss account

	Schedule	Year ended March 2004	2005
I. INCOME			
Interest earned	13	93,526,723	98,337,56
Other income	14	45,530,181	70,976,34
Shares in affiliates		3	--
TOTAL INCOME		139,056,907	169,313,90
II. EXPENDITURE			
Interest expended	15	71,676,576	68,043,78
Operating expenses	16	41,934,253	72,856,59
Provisions and contingencies	17	9,649,754	10,313,10
TOTAL EXPENDITURE		123,260,583	151,213,48
III. PROFIT/LOSS			
Net profit for the year		15,796,324	18,100,42
Less: Minority interest		(7,459)	(422,85
Net profit after minority interest		15,803,783	18,523,27
Profit brought forward		10,962	(335,96
TOTAL PROFIT / (LOSS)		15,814,745	18,187,31
IV. APPROPRIATIONS/TRANSFERS			
Transfer to Statutory Reserve		4,093,000	5,023,22
Transfer to Reserve fund		--	--
Transfer to Capital Reserve		2,658,700	200,00
Transfer to Investment Fluctuation Reserve		2,760,000	--
Transfer from Investment Fluctuation Reserve		--	--
Transfer to Special Reserve		339,550	359,15
Transfer to Revenue and other reserves		--	6,185,02
Proposed equity share dividend		5,440,592	6,329,60
Proposed preference share dividend		35	3
Corporate dividend tax		858,828	999,10
Balance carried over to Balance Sheet		(335,960)	(908,83
TOTAL		15,814,745	18,187,31
Significant accounting policies and notes to accounts	18		
Earning per share (Refer note B. 1)			

Basic (Rs.)	25.73	25.4
Diluted (Rs.)	25.52	25.2
Face value per share (Rs.)	10.00	10.0

The schedules referred to above form an integral part of the Profit and Loss Account.

ICICI Bank Limited and Subsidiaries
Consolidated Cash Flow Statements

(Rs

PARTICULARS	Year ended March 31,		
	2004	2005	2006
Cash flow from operating activities			
Net profit before taxes	19,202,139	24,207,093	31,198,896
Adjustments for:			
Depreciation and amortisation	9,483,046	9,778,945	9,462,631
Net (appreciation) / depreciation on investments	76,365	5,287,521	8,660,775
Provision in respect of non-performing assets (including prudential provision on standard assets)	4,873,127	(889,859)	8,117,173
Provision for contingencies & others	207,936	85,984	203,564
(Profit) / loss on sale of fixed assets	32,785	9,232	(51,832)
	33,875,398	38,478,916	57,591,207
Adjustments for:			
(Increase) / decrease in investments	(58,802,554)	(50,917,262)	(202,720,286)
(Increase) / decrease in advances	(109,741,682)	(313,691,838)	(606,401,452)
Increase / (decrease) in borrowings	64,173,144	60,236,038	82,006,471
Increase / (decrease) in deposits	201,280,322	330,298,939	713,348,700
(Increase) / decrease in other assets	573,749	(28,297,407)	(45,598,461)
Increase / (decrease) in other liabilities and provisions	23,945,784	74,907,141	81,889,315
	121,428,763	72,535,611	22,524,287
(Payment) / refund of taxes (net)	(9,317,190)	(9,475,531)	(10,198,463)
Net cash generated from operating activities (A)	145,986,971	101,538,996	69,917,031
Cash flow from investing activities			
Purchase of fixed assets	(6,227,868)	(5,914,656)	(6,557,240)
Proceeds from sale of fixed assets	372,836	323,177	1,010,888

(Purchase) / sale of long-term investment.......	(18,135,921)	(37,444,165)	(96,168,425)
Acquisition of subsidiaries (net of cash acquired)	--	--	(688,736)
Net cash generated from investing activities (B)	(23,990,953)	(43,035,644)	(102,403,513)
Cash flow from financing activities			
Proceeds from issue of share capital	--	31,922,933	79,039,409
Amount received on exercise of stock option & calls in arrears	539,077	649,861	811,100
Net proceeds / (repayment) of bonds (including subordinated debts)	(92,119,083)	(38,366,923)	6,534,092
Dividend and dividend tax paid	(5,354,941)	(6,381,725)	(7,598,693)
Net cash generated from financing activities (C)	(96,934,947)	(12,175,854)	78,785,908
Effect of consolidation of new subsidiary/ deconsolidation of subsidiary on cash and cash equivalents (D)	(673,965)	--	--
Effect on account of exchange fluctuation on translation reserve (E)	--	65,418	(25,495)

ICICI Bank Limited and Subsidiaries

Consolidated Cash Flow Statements (Continued)

(Rs

PARTICULARS	Year ended March 31,		
	2004	2005	2006
Net increase / (decrease) in cash and cash equivalents (A) + (B) + (C) + (D) + (E)	24,387,106	46,392,916	46,273,931
Cash and cash equivalents as at 1st April	65,496,996	89,884,102	136,277,018
Cash and cash equivalents as at 31st March	89,884,102	136,277,018	182,550,949

Significant Accounting Policies and Notes to Accounts (refer Schedule 18).

The Schedules referred to above form an integral part of the consolidated balance sheet.

ICICI Bank Limited and Subsidiaries

Schedules forming part of the balance sheet

SCHEDULE 1 - CAPITAL

(Rs. in thousan

PARTICULARS	As of March 31, 2005	As of March 31, 2006	Convenienc translatio into US$, As of March 31 2006
Authorised capital			
1,000,000,000 equity shares of Rs. 10 each [March 31, 2005: 1,550,000,000 equity shares of Rs. 10 each]	15,500,000	10,000,000	224,820
55,000,000 preference shares of Rs. 100 each [March 31, 2005: Nil]	--	5,500,000	123,651
350 preference shares of Rs. 10 million each	3,500,000	3,500,000	78,687
Equity share capital			
Issued, subscribed and paid-up capital			
736,716,094 equity shares of Rs. 10 each (March 31, 2005: 616,391,905 equity shares)	6,163,919	7,367,161	165,629
Add : Issued 110,967,096 equity shares of Rs. 10 each fully paid up vide prospectus dated December 8, 2005 (March 31, 2005: 115,866,538 equity shares vide prospectus dated April 12,2004.)(1)	1,158,665	1,109,671	24,948
Add : Issued 37,237,460 equity shares of Rs. 10 each fully paid up consequent on issue of 18,618,730 American Depository Shares (ADS) vide prospectus dated December 6, 2005 (Includes 2,428,530 ADS issued under Green Shoe Option)	--	372,374	8,372
Add : Issued 4,903,251 equity shares of Rs. 10 each fully paid up (March 31, 2005: 4,457,651 equity shares) on exercise of employee stock options	44,577	49,033	1,102
Less: Calls unpaid	--	266	6
Add : Forfeited 67,323 equity shares (March 31, 2005: 67,323 equity shares)	372	372	8
Share capital suspense [net] [Represents application money received for Nil equity shares (March 31, 2005: 22,470 equity shares) of Rs.10 each on exercise of employee stock options]	225	--	--
TOTAL EQUITY CAPITAL	7,367,758	8,898,345	200,053

Preference share capital (2)

[Represents face value of 350 preference shares of Rs. 10 million each issued to preference share holders of erstwhile ICICI Limited on amalgamation redeemable at

par on April 20, 2018]	3,500,000	3,500,000	78,687
TOTAL CAPITAL	10,867,758	12,398,345	278,740

1. Includes 14,285,714 equity shares of Rs. 10 each fully paid up consequent to green shoe option vide prospectus dated December 8, 2005 (March 31, 2005: 6,992,187 equity shares on exercise of green shoe option vide prospectus dated April 12, 2004).

2. For these preference shares, the notification from Ministry of Finance has currently exempted the Bank from the restriction of Section 12 (1) of the Banking Regulation Act, 1949, which prohibits issue of preference shares by banks.

ICICI Bank Limited and Subsidiaries

Schedules forming part of the balance sheet (Continued)

SCHEDULE 2 - RESERVES AND SURPLUS

(Rs. in thousands

		As of March 31,		Convenience translation into US$, As of March 31,
		2005	2006	2006
I.	Statutory reserve			
	Opening balance (other than joint ventures)	9,772,027	14,637,244	329,074
	Additions during the year	5,023,226	6,360,000	142,986
	Deductions during the year	158,009	9,937	223
	Closing balance	14,637,244	20,987,307	471,837
II.	Special reserve			
	Opening balance (other than joint ventures)	11,924,946	12,284,102	276,171
	Additions during the year	359,156	2,778,000	62,455
	Deductions during the year	--	--	--
	Closing balance	12,284,102	15,062,102	338,626
III.	Share premium			
	Opening balance (other than joint ventures)	8,636,104	40,005,152	899,396
	Additions during the year (1)	31,897,100	79,194,000	1,780,441
	Deductions during the year (2)	528,052	874,078	19,651
	Closing balance	40,005,152	118,325,074	2,660,186
IV.	Investment fluctuation reserve			
	Opening balance (other than joint ventures)	7,803,326	6,106,058	137,276
	Additions during the year	853,627	10,531,600	236,772
	Deductions during the year	2,550,895	14,120,409	317,455

	Closing balance	6,106,058	2,517,249	56,593
V.	Capital reserve			
	Opening balance (other than joint ventures)	4,813,166	5,013,166	112,706
	Additions during the year	200,000	680,000	15,288
	Deductions during the year	--	--	--
	Closing balance	5,013,166	5,693,166	127,994
VI.	Foreign currencY translation reserve	65,418	(25,495)	(573)
VII.	Reserve Fund	--	222	5
VIII.	Revenue and other reserves			
	Opening balance for joint ventures	227,900	(1,646)	(37)
	Opening balance for others	28,217,730	37,264,872	837,789
	Additions during the year for joint ventures	948	--	
	Additions during the year for others	8,925,158	17,420,225	391,641
	Deductions during the year for joint ventures	1,646	1,041	23
	Deductions during the year for others	106,864	3,722,548	83,691
	Closing balance	37,263,226	50,959,862	1,145,680
TOTAL RESERVES AND SURPLUS	....	115,374,366	213,519,487	4,800,348

1. Includes :-

a) Rs. 48,940.0 million (net of share premium in arrears of Rs. 92.4 million (March 31, 2005: Rs. Nil) consequent to public issue vide prospectus dated December 8, 2005.

b) Rs. 22,134.6 million consequent to issue of ADS vide prospectus dated December 6, 2005.

c) Rs.7,357.1 million on the exercise of the green shoe option vide prospectus dated December 8, 2005.

d) Rs. 725.6 million (March 31, 2005: Rs. 602.5 million) on exercise of employee stock options.

2. Represents estimated share issue expenses amounting to Rs. 874.1 million, written-off from the share premium account as per the object of the issue.

ICICI Bank Limited and Subsidiaries

Schedules forming part of the balance sheet (Continued)

SCHEDULE 3 - DEPOSITS

(Rs. in thousands)

	As of March 31, 2005	As of March 31, 2006	Convenience translation into US$, As of March 31, 2006
A. I. Demand deposits			
i) From banks	1,976,547	4,697,014	105,598
ii) From others	123,914,225	159,158,492	3,578,204
II. Savings bank deposits	116,596,089	242,571,556	5,453,497
III. Term deposits			
i) From banks	64,467,974	107,092,998	2,407,666
ii) From others	704,131,438	1,210,989,770	27,225,490
TOTAL DEPOSITS	1,011,086,273	1,724,509,830	38,770,455
B. I. Deposits of branches/offices in India	955,299,532	1,557,993,199	35,026,826
II. Deposits of branches/offices outside India	55,786,741	166,516,631	3,743,629
TOTAL DEPOSITS	1,011,086,273	1,724,509,830	38,770,455

ICICI Bank Limited and Subsidiaries

Schedules forming part of the balance sheet (Continued)

SCHEDULE 4 - BORROWINGS

	As of Marc... 2005
I. Borrowings In India	
i) Reserve Bank of India	-
ii) Other banks	47,413,551
iii) Other institutions and agencies	
a) Government of India	3,612,510
b) Financial institutions	52,628,802
iv) Borrowings in the form of	
a) Deposits (including deposits taken over from erstwhile ICICI Limited)	2,334,981
b) Commercial paper	989,390
c) Bonds and debentures (excluding subordinated debt)	
- Debentures and bonds guaranteed by the Government of India	14,815,000

- Borrowings under private placement of bonds carrying maturity of 1 to 30 years from the date of placement.........	30,948,127
Bonds issued under multiple option/safety bonds series..........	
- Regular interest bonds.......................................	9,933,481
- Deep discount bonds..	4,039,128
- Bonds with premium warrants	797,947
- Encash bonds...	1,170,280
- Tax saving bonds	59,167,873
- Pension bonds..	59,351
d) Application money pending allotment...........................	6,160,858
II. Borrowings outside India	
i) From multilateral/bilateral credit agencies (guaranteed by the Government of India for the equivalent of Rs.19,542.5 million at March 31, 2006)...........................	24,949,331
ii) From international banks, institutions and consortiums...........	92,955,740
iii) By way of bonds and notes..	31,713,869
TOTAL BORROWINGS..	383,690,219

Secured borrowings included in I and II above is Rs. 4,411.3 million (March 31, 2005: Rs. 2,951.1 million).

ICICI Bank Limited and Subsidiaries

Schedules forming part of the balance sheet (Continued)

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

(Rs. in thousands)

	As of March 31,		Convenience translation into US$ As of March 31,
	2005	2006	2006
I. Bills payable	27,944,845	33,336,184	749,465
II. Inter-office adjustments (net)	5,614,186	3,496,486	78,608
III. Interest accrued	13,418,493	14,563,000	327,406
IV. Unsecured redeemable debentures/bonds [Subordinated for Tier II capital]	82,338,996	107,358,255	2,413,630
V. Others			
a) Security deposits from Clients	12,034,901	7,712,042	173,382
b) Sundry Creditors	46,734,948	72,892,120	1,638,762
c) Received for disbursements under special program	2,932,942	3,007,090	67,605
d) Provision for standard assets	2,307,585	5,735,262	128,940
e) Other liabilities(1)	33,990,374	39,797,582	894,729
TOTAL OTHER LIABILITIES AND PROVISIONS	227,317,270	287,898,021	6,472,527

1. Includes :-

a) Proposed dividend of Rs. 7,675.0 million [March 31, 2005: Rs. 6,262.1 million].

b) Corporate dividend tax payable Rs. 1,134.3 million [March 31, 2005: Rs. 930.9 million].

c) Deferred tax liability Rs. 4.1 million [March 31, 2005: Rs. Nil].

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ICICI Bank Limited and Subsidiaries

Schedules forming part of the balance sheet (Continued)

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

(Rs. in t

	As of March 31,		Conven transl into As of Ma
	2005	2006	200
I. Cash in hand (including foreign currency notes)	5,735,325	12,599,864	2
II. Balances with Reserve Bank of India in current accounts...	57,966,103	77,259,488	1,7
TOTAL CASH AND BALANCES WITH RESERVE BANK OF INDIA	63,701,428	89,859,352	2,0

SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE

(Rs. in t

	As of March 31,		Convenie translat into U As of Mar
	2005	2006	2006
I. In India			
i) Balances with banks			
a) in current accounts	5,176,718	4,606,958	1

b) in other deposit accounts	9,545,677	7,870,028	1
ii) Money at call and short notice			
a) with banks	16,100,000	6,500,000	1
b) with other institutions	1,900,000	3,000	
TOTAL	32,722,395	18,979,986	4
II. Outside India			
i) in current accounts	7,555,628	7,685,674	1
ii) in other deposit accounts	8,762,607	38,778,224	8
iii) Money at call and short notice	23,534,960	27,247,713	6
TOTAL	39,853,195	73,711,611	1,6
TOTAL BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE	72,575,590	92,691,597	2,0

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ICICI Bank Limited and Subsidiaries

Schedules forming part of the balance sheet (Continued)

SCHEDULE 8 - INVESTMENTS [net of provisions]

(Rs.

	As of March 31,		A
	2005	2006	
I. Investments in India			
i) Government securities	359,865,891	527,979,787	
ii) Other approved securities	318,890	356,349	
iii) Shares (includes equity and preference shares)	32,027,936	38,738,178	
iv) Debentures and bonds	35,035,525	27,896,238	
vi) Others (commercial paper, mutual fund units, pass through certificates, security receipts etc.)(1)	101,247,552	166,027,372	
TOTAL	528,495,794	760,997,924	
II. Investments outside India			
i) Government securities	377,947	10,701,989	
ii) Others	17,642,421	68,438,909	
TOTAL	18,020,368	79,140,898	

TOTAL INVESTMENTS	546,516,162	840,138,822

1. Includes assets held to cover linked liabilities of life insurance business of Rs.70,788.5 million (March 31, 2005: Rs. 26,540.6 million).

ICICI Bank Limited and Subsidiaries

Schedules forming part of the balance sheet (Continued)

SCHEDULE 9 - ADVANCES (net of provisions)

	As of March 31,	
	2005	2006
A. i) Bills purchased and discounted	43,984,209	63,42
ii) Cash credits, overdrafts and loans repayable on demand	123,344,410	258,59
iii) Term loans	772,559,072	1,209,25
iv) Securitisation, finance lease and hire purchase receivables(1)	24,211,871	31,33
TOTAL	964,099,562	1,562,60
B. i) Secured by tangible assets [includes advances against Book debt/receivables](2)	827,679,644	1,290,96
ii) Covered by Bank/Government guarantees	10,795,838	15,23
iii) Unsecured	125,624,080	256,40
TOTAL	964,099,562	1,562,60
C. I. Advances in India		
i) Priority sector	215,591,362	447,31
ii) Public sector	11,154,310	11,57
iii) Banks	4,517,162	4
iv) Others	650,547,563	913,88
TOTAL	881,810,397	1,372,81
II. Advances outside India		
i) Due from banks	10,375,851	25,49

ii) Due from others		
a) Bills purchased and discounted	24,884,221	44,12
b) Syndicated loans	11,925,394	39,70
c) Others	35,103,699	80,45
TOTAL	82,289,165	189,78
TOTAL ADVANCES	964,099,562	1,562,60

1. Includes receivables under lease amounting to Rs. 695.1 million (March 31, 2005: Rs. 913.6 million).

2. Includes a loan of Rs. 16,028.7 million (March 31, 2005: Rs. Nil) for which security is being created.

ICICI Bank Limited and Subsidiaries

Schedules forming part of the balance sheet (Continued)

SCHEDULE 10 - FIXED ASSETS

(Rs. in tho

	As of March 31,		Conven transl into As of Ma
	2005	2006	200
I. Premises			
At cost as on March 31 of preceding year	17,091,998	19,584,791	440
Opening adjustment	71,166	25,155	
Additions during the year	2,547,867	1,699,414	38
Deductions during the year	(126,240)	(151,771)	(3
Depreciation to date	(1,649,800)	(2,278,057)	(51
Net block	17,934,991	18,879,532	424
II. Other fixed assets (including furniture and fixtures)			
At cost as on March 31 of preceding year	14,589,789	17,808,855	400
Opening adjustment	179,786	77,299	1
Additions during the year	3,300,561	4,838,149	108
Deductions during the year	(261,281)	(202,946)	(4
Depreciation to date	(8,510,555)	(11,710,388)	(263
Net block	9,298,300	10,810,969	243

III. Assets given on Lease			
At cost as on March 31 of preceding year	20,736,475	20,424,065	459
Additions during the year	212,838	544	
Deductions during the year	(525,248)	(1,259,086)	(28
Depreciation to date, accumulated lease adjustment and provisions	(5,875,429)	(7,427,319)	(166
Net block	14,548,636	11,738,204	263
TOTAL FIXED ASSETS	41,781,927	41,428,705	931

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ICICI Bank Limited and Subsidiaries

Schedules forming part of the balance sheet (Continued)

SCHEDULE 11 - OTHER ASSETS

(Rs. in t

	As of March 31, 2005	As of March 31, 2006	Conv tran in As of
I. Inter-office adjustments (net)	--	--	
II. Interest accrued	13,835,593	22,887,616	5
III. Tax paid in advance/tax deducted at source (net)	26,943,097	28,418,197	6
IV. Stationery and stamps	3,609	1,663	
V. Non-banking assets acquired in satisfaction of claims (1)	3,677,234	3,627,879	
VI. Others			
a) Advance for capital assets	1,002,726	1,545,327	
b) Outstanding fees and other income	3,387,499	3,578,907	
c) Exchange fluctuation suspense with Government of India	244,749	24,966	
d) Swap suspense	794,710	71,587	
e) Deposits	15,020,640	26,069,853	5
f) Deferred tax asset (Net)	702,188	2,471,990	
g) Early Retirement Option expenses not written off	1,269,979	885,979	
h) Others (2), (3)	28,779,920	55,989,973	1,2
TOTAL OTHER ASSETS	95,661,944	145,573,937	3,2

1. Includes certain non-banking assets acquired in satisfaction of claims, which are in the process of being transferred in the Bank's name.

2. Includes debit balance in profit and loss account Rs. 2,435.6 million (March 31, 2005: Rs. 908.8 million) including debit balance in profit and loss account for joint ventures of Rs. 13.7 million (March 31, 2005: credit balance of Rs. 4.6 million.

3. Includes goodwill on consolidation amounting to Rs. 624.0 million (March 31, 2005: Nil).

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ICICI Bank Limited and Subsidiaries

Schedules forming part of the profit and loss account (Continued)

SCHEDULE 12 - CONTINGENT LIABILITIES

(Rs. in tho

	As of March 31,		Conven transl into As of Ma
	2005	2006	20
I. Claims against the Bank not acknowledged as debts ..	27,532,692	29,879,081	
II. Liability for partly paid investments	168,396	168,472	
III. Liability on account of outstanding forward exchange contracts	714,653,064	919,149,224	20,
IV. Guarantees given on behalf of constituents			
a) In India	141,495,318	170,959,502	3,
b) Outside India	16,095,087	20,488,570	
V. Acceptances, endorsements and other obligations	74,115,736	110,082,608	2,
VI. Currency swaps	112,834,926	197,909,516	4,
VII. Interest rate swaps, currency options and interest rate futures	1,793,399,905	2,852,269,039	64,
VIII. Other items for which the Bank is contingently liable	80,718,484	61,410,349	1,
TOTAL CONTINGENT LIABILITIES	2,961,013,608	4,362,316,361	98,

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ICICI Bank Limited and Subsidiaries

Schedules forming part of the profit and loss account (Continued)

SCHEDULE 13 - INTEREST EARNED

	Year Ended	
	2004	200
I. Interest/discount on advances/bills	61,989,102	69,811
II. Income on investments	27,537,393	23,921
III. Interest on balances with Reserve Bank of India and other inter-bank funds	2,193,950	2,334
IV. Others (1)	1,806,278	2,269
TOTAL INTEREST EARNED	93,526,723	98,337

1. Includes interest on income tax refunds Rs.415.6 million (March 31, 2005: Rs. 307.4 million, March 31, 2004: Rs. 406.1 million).

ICICI Bank Limited and Subsidiaries

Schedules forming part of the profit and loss account (Continued)

SCHEDULE 14 - OTHER INCOME

	Year Ended March 31,		
	2004	2005	2006
I. Commission, exchange and brokerage	12,037,235	20,751,386	32,546,
II. Profit/(loss) on sale of investments (net)	14,175,352	7,560,301	10,988,
III. Profit/(loss) on revaluation of investments (net)	10,430	145,644	(504,
IV. Profit/(loss) on sale of land, buildings and other assets (net)(1)	(19,955)	(9,232)	51,
V. Profit/(loss) on foreign exchange tranactions (net)	2,086,142	2,781,079	4,451,
VI. Income pertaining to insurance business	12,809,483	35,354,556	59,353,
VII. Miscellaneous income (including lease income) ...	4,431,494	4,392,606	4,581,
TOTAL OTHER INCOME	45,530,181	70,976,340	111,469,

1. Includes profit/(loss) on sale of assets given on lease.

SCHEDULE 15 - INTEREST EXPENDED

	Year Ended March 31,		
	2004	2005	2006
I. Interest on deposits	30,194,309	32,622,753	59,590,2
II. Interest on Reserve Bank of India/inter-bank borrowings(1)	3,230,976	4,047,872	11,888,1
III. Others (including interest on borrowings of erstwhile ICICI Limited)	38,251,291	31,373,162	29,536,4
TOTAL INTEREST EXPENDED	71,676,576	68,043,787	101,014,7

1. Includes interest paid on inter-bank deposits.

ICICI Bank Limited and Subsidiaries

Schedules forming part of the profit and loss account (Continued)

SCHEDULE 16 - OPERATING EXPENSES

	Year Ended March	
	2004	2005
I. Payments to and provisions for employees	7,106,649	10,907,630
II. Rent, taxes and lighting	1,855,998	2,465,214
III. Printing and stationery	954,119	1,052,945
IV. Advertisement and publicity	1,247,016	1,837,990
V. Depreciation on Bank's property (including non-banking assets)	2,803,542	3,283,466
VI. Depreciation (including lease equalisation) on leased assets .	2,805,368	2,974,662
VII. Directors' fees, allowances and expenses	8,372	13,749
VIII. Auditors' fees and expenses	30,673	36,352
IX. Law charges	571,637	338,794
X. Postages, telegrams, telephones, etc	1,600,421	2,216,732
XI. Repairs and maintenance	2,080,307	2,550,917
XII. Insurance	371,742	186,633

XIII. Direct marketing agency expenses	3,091,033	5,064,388
XIV. Expenses pertaining to insurance business	11,888,585	32,042,377
XV. Other expenditure	5,518,791	7,884,743
TOTAL OPERATING EXPENSES	41,934,253	72,856,592

SCHEDULE 17 - PROVISIONS AND CONTINGENCIES

	Year Ended March	
	2004	2005
I. Income tax		
- Current period tax	3,465,972	2,522,09
- Deferred tax adjustment	(91,633)	3,131,71
- Fringe Benefit Tax		--
II. Wealth tax	24,017	30,00
III. Provision for investments (including credit substitutes) (net)	1,170,335	5,433,16
IV. Provision for advances (net)(1)	4,873,127	(889,85
V. Others	207,936	85,98
TOTAL PROVISIONS AND CONTINGENCIES	9,649,754	10,313,10

1. Includes provision on standard assets, non-performing advances, non-performing leased assets and other receivables.

ICICI Bank Limited and Subsidiaries

Schedules forming part of the Consolidated Financial Statements

SCHEDULE 18: Significant accounting policies and notes to accounts

A. Significant accounting policies

Overview

ICICI Bank Limited ("ICICI Bank" or "the Bank") together with its subsidiaries, joint ventures and associates (collectively, "the Company") is a diversified financial services group providing a wide range of banking and financial services including retail banking, project and corporate finance, working capital finance, insurance, venture capital and private equity, investment banking, broking and treasury products and services.

The Bank was incorporated in Vadodara, India and is a publicly held banking company governed by the Banking Regulation Act, 1949.

Principles of consolidation

The consolidated financial statements include the financials of ICICI Bank, its subsidiaries, associates and joint ventures.

The Company consolidates subsidiaries in which it holds, directly or indirectly, more than 50% of the voting rights or where it exercises control. Entities where the Company holds 20% to 50% of the voting rights and/or has the ability to exercise significant influence, other than investments of designated venture capital subsidiaries, are accounted for under the equity method of accounting, and the pro-rata share of their income/(loss) is included in profit and loss account. Assets, liabilities, income and expenditure of the jointly controlled entities are consolidated using the proportionate consolidation method. Under the proportionate consolidation method the Company's share of each of the assets, liabilities, income and expenses of a jointly controlled entity is reported as separate line items in the consolidated financial statements. The total assets at March 31, 2006 and total income for the year ended March 31, 2006 of the entities consolidated by the proportionate consolidation method was Rs. 39.7 million and Rs. 3.7 million respectively The Company does not consolidate entities where control is intended to be temporary. All significant inter-company accounts and transactions are eliminated on consolidation.

Basis of preparation

The accounting and reporting policies of the Company used in the preparation of these consolidated financial statements reflect general industry practices and conform with the generally accepted accounting principles in India (Indian GAAP) including the Accounting Standards ("AS") issued by Institute of Chartered Accountants of India ("ICAI"), guidelines issued by Reserve Bank of India ("RBI"), Insurance Regulatory and Development Authority ("IRDA") and National Housing Bank ("NHB") as applicable to relevant companies.

The Company follows the accrual method of accounting except where otherwise stated and historical cost convention. In case the accounting policies followed by a subsidiary, joint venture or associate are different from those followed by the Bank, the same have been disclosed separately.

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The preparation of consolidated financial statements requires management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the consolidated financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in the preparation of the consolidated financial statements are prudent and reasonable. Actual results could differ from these estimates.

The consolidated financial statements include the results of the following entities:

Sr. No	Name of the company	Country/ residence	Relation	
1	ICICI Securities Limited	India	Subsidiary	I
2	ICICI Brokerage Services Limited	India	Subsidiary	S
3	ICICI Securities Inc.	USA	Subsidiary	I s
4	ICICI Securities Holdings Inc.	USA	Subsidiary	I
5	ICICI Venture Funds Management Company Limited	India	Subsidiary	V
6	ICICI Home Finance Company Limited	India	Subsidiary(1)	H
7	ICICI Trusteeship Services Limited	India	Subsidiary	T
8	ICICI Investment Management Company Limited	India	Subsidiary	I
9	ICICI International Limited	Mauritius	Subsidiary	O
10	ICICI Bank UK Limited	United Kingdom	Subsidiary	B
11	ICICI Bank Canada	Canada	Subsidiary	B
12	ICICI Bank Eurasia Limited Liability Company (formerly Investment Credit Bank Limited Liability Company)	Russia	Subsidiary(2)	B
13	ICICI Property Trust	India	Direct holding	A m
14	ICICI Eco-net Internet & Technology Fund	India	Direct holding	V
15	ICICI Equity Fund	India	Direct holding	V
16	ICICI Emerging Sectors Fund	India	Direct holding	V
17	ICICI Strategic Investments Fund	India	Direct holding	V
18	ICICI Prudential Life Insurance Company Limited	India	Jointly controlled entity(3)	L
19	ICICI Lombard General Insurance Company Limited	India	Jointly controlled entity(3)	G
20	Prudential ICICI Asset Management Company Limited	India	Subsidiary(4)	A f f
21	Prudential ICICI Trust Limited	India	Subsidiary(4)	T P
22	TCW/ICICI Investment Partners LLC.	Mauritius	Jointly controlled entity(5)	A c
23	TSI Ventures (India) Private Limited	India	Jointly controlled entity(5)	

1. Effective August 11, 2005, ICICI Distribution Finance Private Limited has merged with ICICI Home Finance Company Limited. Consequent to the merger ICICI Distribution Finance Private ceases to be a subsidiary of the Bank.

2. ICICI Bank Eurasia Limited Liability Company (formerly Investment Credit Bank Limited Liability Company) has become a subsidiary of ICICI Bank Limited with effect from May 19, 2005, being the date of its acquisition.

3. Since the year ended March 31, 2005, the financial statements of these jointly controlled entities have been consolidated as per AS 21 "Consolidated Financial Statements" consequent to the limited

revision to AS 27 "Financial Reporting of Interests in Joint Ventures".

4. Effective August 26, 2005, Prudential ICICI Asset Management Company Limited and Prudential ICICI Trust Limited have become subsidiaries of the Bank. Therefore, these entities have been fully consolidated instead of the proportionate consolidation method.

5. This investment is accounted as per the proportionate consolidation method.

Pursuant to the resolution passed at the meeting of the Board of Directors of ICICI Venture Funds Management Company Limited (IVFMCL), held on July 21, 2004, IVFMCL has decided not to carry on activities of non-banking financial companies, under Section 45-1A(6)(i) and applied to RBI for cancellation of its non-banking financial company certificate. The RBI vide its order dated December 27, 2004 has, cancelled as surrendered, the certificate of registration granted to IVFMCL. Consequently the statutory reserve, created in pursuance of section 45-IC of the Reserve Bank of India (Amendment) Act, 1997, amounting to Rs. 210.0 million has been treated as free reserve and have been included as a part of revenue and other reserves.

Equity issue of ICICI Bank Ltd

During the year ended March 31, 2006, the Bank raised equity capital amounting to Rs. 80,006.1 million. The expenses of the issue amounting to Rs. 874.1 million have been charged to the share premium account. The details of the equity capital raised are given in the table below.

Rupees in million, except per s

Details	No. of equity shares	Amount of share premium	A p
Fully paid equity shares of Rs. 10 each at a premium of Rs. 515 per share	67,787,322	34,910.5	
Fully paid equity shares of Rs. 10 each at a premium of Rs. 488.75 per share(1)	28,894,060	14,122.0	
18,618,730 American Depository Share ("ADS") at a price of US$ 26.75 per share (2)	37,237,460	22,134.6	
Fully paid equity shares of Rs. 10 each issued by exercise of the green shoe option	14,285,714	7,357.1	
Total	148,204,556	78,524.2	

1. Unpaid calls of Rs. 0.3 million (Unpaid share premium Rs. 92.4 million).

2. Includes green shoe option of 2,428,530 ADSs.

During the year ended March 31, 2005, the Bank issued 115,920,758 equity shares (including 6,992,187 equity shares issued by exercise of green shoe option) of Rs.10 each at a premium of Rs. 270 per share aggregating Rs. 32,457.8 million under the prospectus dated April 12, 2004. The expenses

of the issue have been charged to the share premium account.

During the year ended March 31, 2005, ICICI Bank had sponsored American Depositary Shares (ADSs) Offering, which opened for participation on March 7, 2005 and closed on March 11, 2005. In terms of the Offering, 20,685,750 ADSs representing 41,371,500 equity shares had been sold at a price of US$ 21.1 per ADS. The gross proceeds from the ADS Offering were approximately US$ 436.7 million (Rs.19,099.6 million). Pursuant to this offering, existing outstanding equity shares were exchanged for newly issued ADSs and accordingly the offering did not result in an increase in share capital of the Bank.

Significant accounting policies

1. Foreign currency transactions

The consolidated financial statements are reported in Indian rupees (Rs.), the national currency of India. Foreign currency income and expenditure items are translated as follows:

a. For domestic operations at the exchange rates prevailing on the date of the transaction with the resultant gain or loss accounted for in the profit and loss account;

b. For integral foreign operations (representative offices), at weekly average closing rate with the resultant gain or loss accounted for in the profit and loss account. AS 11 (revised) on "The effects of changes in foreign exchanger rates" issued by the ICAI defines an integral foreign operation as a subsidiary, associate, joint venture or branch of the reporting enterprise, the activities of which are based or conducted in a country other than the country of the reporting enterprise but are an integral part of the reporting enterprise;

c. For non-integral foreign operations (foreign branches and off-shore banking units), at quarterly average closing rate with the resultant gains or losses accounted for as foreign currency translation reserve.

Monetary foreign currency assets and liabilities of domestic and integral foreign operations are translated at closing exchange rates notified by Foreign Exchange Dealers' Association of India ("FEDAI") at the balance sheet date and the resulting profits/losses are included in the profit and loss account.

Both monetary and non-monetary foreign currency assets and liabilities of non-integral foreign operations are translated at closing exchange rates notified by FEDAI at the balance sheet date and the resulting profit/loss on exchange differences are accumulated in the foreign currency translation reserve until the disposal of the net investment in the non-integral foreign operations.

Outstanding forward exchange contracts are revalued at the exchange rates notified by FEDAI for specified maturities and at interpolated rates for contracts of in-between maturities. The resultant gains or losses are recognised in the profit and loss account.

Contingent liabilities on account of guarantees, endorsements and other obligations are stated at the exchange rates notified by FEDAI at the

balance sheet date.

2. Revenue recognition

Interest income on loans and advances is accounted on an accrual basis except in the case of loan exposures classified as non-performing assets ("NPAs") or bad and doubtful loans where it is recognised, on a cash basis, as per the prudential norms of RBI.

Commissions paid to direct marketing agents ("DMAs") for auto loans, is recorded upfront in the profit and loss account net of subvention income received from them.

Income from hire purchase operations is accrued by applying the interest rate implicit on outstanding balances.

Income from leases is calculated by applying the interest rate implicit in the lease to the net investment outstanding on the lease over the primary lease period. Leases effective from April 1, 2001 are accounted as advances at an amount equal to the net investment in the lease. The lease rentals are apportioned between principal and finance income based on a pattern reflecting a constant periodic return on the net investment outstanding in respect of finance lease. The principal amount is recognised as repayment of advances and the finance income is reported as interest income. Income on discounted instruments is recognised over the tenure of the instrument on a constant yield basis.

Dividend income is accounted on an accrual basis when the right to receive the dividend is established.

In case of investment banking subsidiary, fees from issue management, loan syndication, financial advisory services and trusteeship fees are recognised based on the stage of completion of assignments and terms of agreement with the client.

Fees received by the Company's Canadian subsidiary, from its commercial clients for term loans, demand loans, mortgages, and operating lines of credit are deferred and recognised over the term of a loan. Upon approval of the credit facility, fee income is amortised over the term of the loan, except for demand loans, which are amortised over a 12-month period. Non-refundable loan fees received from commercial clients are accounted immediately if the credit facility is not approved.

All other fee income is recognised upfront on it becoming due except for fees for guarantees which are amortised over the contracted period of the commitment.

Net income arising from sell down of loan assets is recognised upfront in interest income. With effect from February 1, 2006, in accordance with new guidelines issued by RBI, net income arising from securitisation of loan assets is amortised over the life of securities issued or to be issued by the special purpose vehicle/special purpose entity to which the assets are sold.

Income from brokerage activities is recognised as income on the trade date of the transaction. Brokerage income in relation to public issues/other securities is recognised based on mobilisation and terms of agreement with

the client. The Bank follows trade date method for accounting of its investments.

Life insurance premium is recognised as income when due. Premium on lapsed policies is recognised as income when such policies are reinstated. For linked business, premium is recognised when the associated units are allotted. Income from linked funds, which includes fund management charges, administrative charges and mortality charges is recovered from the linked fund in accordance with the terms and conditions of the policy and is accounted on accrual basis. Accretion of discount and amortisation of premium relating to debt securities is recognised over the holding/maturity period on a straight-line basis.

General insurance premium is recognised as income over the period of risk or the contract period based on 1/365 method, whichever is appropriate on a gross basis, net of service tax. Any subsequent revision to premium is recognised over the remaining period of risk or contract period. Adjustments to premium income arising on cancellation of policies are recognised in the period in which it is cancelled. Commission on reinsurance business is recognised as income in the period of ceding the risk. Profit commission under re-insurance treaties is recognised as income in the period of determination of profits.

Insurance premium on ceding of the risk is recognised in the period in which the risk is ceded. Any subsequent revision to premium ceded is recognised in the period of such revision. Adjustment to reinsurance premium arising on cancellation of policies is recognised in the period in which it is cancelled. In case of life insurance business, reinsurance premium ceded is accounted in accordance with the treaty or in-principle arrangement with the reinsurer.

Premium deficiency is recognised when the sum of expected claim costs and related expenses exceed the reserve for unexpired risks and is computed at a business segment level.

3. Stock based compensation

The Company uses the intrinsic value-based method as prescribed by the guidance note on 'Accounting for Stock Options" issued by ICAI to account for its stock-based employees compensation plans. Compensation cost for fixed and variable stock-based awards is measured by the excess, if any, of the fair market price of the underlying stock over the exercise price. Compensation for fixed awards is measured at the grant date while compensation costs for variable awards is estimated until the number of shares an individual is entitled to receive and the exercise price are known (measurement date).

4. Income taxes

Income tax expense is the aggregate amount of current tax, deferred tax and fringe benefit tax charge. Current year taxes are determined in accordance with the Income Tax Act, 1961. Deferred tax adjustments comprise changes in the deferred tax assets or liabilities during the year.

Deferred tax assets and liabilities are recognised for the future tax consequences of timing differences arising between the carrying values of

assets and liabilities and their respective tax bases and operating carry forward losses. Deferred tax assets are recognised only after giving due consideration to prudence. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date. The impact on account of changes in the deferred tax assets and liabilities is also recognised in the profit and loss account.

Deferred tax assets are recognised and reassessed at each reporting date, based upon management's judgement as to whether realisation is considered certain. Deferred tax assets are recognised on carry forward of unabsorbed depreciation, tax losses, and carry forward capital losses only if there is virtual certainty that such deferred tax asset can be realised against future profits.

During the year ended March 31, 2006, the Bank has created a deferred tax asset on carry forward capital losses based on its firm plan, that sufficient future taxable income will be available against which the loss can be set off.

Deferred tax assets and liabilities are computed at individual company level and aggregated for consolidated reporting.

5. Claims and benefits paid

In case of general insurance business, claims comprise claims paid, estimated liability for outstanding claims made following a loss occurrence reported and estimated liability for claims incurred but not reported ('IBNR') and claims incurred but not enough reported ('IBNER'). Further, claims incurred also include specific claim settlement costs such as survey/legal fees and other directly attributable costs. Claims (net of

amounts receivable from reinsurers/co-insurers) are recognised on the date of intimation of the loss. Estimated liability for outstanding claims at the balance sheet date is recorded net of claims recoverable from/payable to co-insurers/reinsurers and salvage to the extent there is certainty of realisation. Estimated liability for outstanding claims is determined by the Company on the basis of ultimate amounts likely to be paid on each claim based on past experience. These estimates are progressively revalidated on availability of further information.

Claims IBNR represents that amount of claims that may have been incurred during the accounting period but have not been reported or claimed. The IBNR provision also includes provision, if any, required for claims IBNER. Liability for claims IBNR/ claims IBNER is based on an actuarial estimate duly certified by the appointed actuary of the Company. In case of life insurance business, claims other than maturity claims are accounted for on receipt of intimation. Maturity claims are accounted when due for payment. Reinsurance on such claims is accounted for in the same period as the related claims. Withdrawals under linked policies are accounted in the respective schemes.

6. Liability for life policies in force

In respect of life insurance business, liability for life policies in force and also policies in respect of which premium has been discontinued but a liability exists, is determined by the appointed actuary on the

basis of an annual review of the life insurance business, as per the gross premium method in accordance with accepted actuarial practice, requirements of the IRDA and the Actuarial Society of India. The linked policies sold by the company carry two types of liabilities - unit liability representing the fund value of policies and non-unit liability for future expenses, meeting death claims, income taxes and cost of any guarantees.

7. Reserve for unexpired risk

Reserve for unexpired risk is recognised net of reinsurance ceded and represents premium written that is attributable and to be allocated to succeeding accounting periods for risks to be borne by the company under contractual obligations on contract period basis or risk period basis, whichever is appropriate. It is calculated on a daily pro-rata basis subject to a minimum of 50% of the premium, written during the 12 months preceding the balance sheet date for fire, marine, cargo and miscellaneous business and 100% for marine hull business, in accordance with the provisions of the Insurance Act, 1938.

8. Actuarial method and valuation

In case of life insurance business, the actuarial valuation liability on both participating and non-participating policies is calculated using the gross premium method. The gross premium reserves are calculated using assumptions for interest, mortality, expense, and inflation and in the case of participating policies, the future bonuses together with allowance for taxation and allocation of profits to shareholders. These assumptions are determined as prudent estimates at the date of valuation with allowances for adverse deviations.

The interest rates used for valuing the liabilities are in the range of 4.7% to 10.0% per annum (Previous year - 4.0% to 10.0% per annum).

Mortality rates used are based on the published L.I.C. (1994 - 96) Ultimate Mortality Table, adjusted to reflect expected experience and allowances for adverse deviation. Expenses are provided for at long-term expected renewal expense levels.

Unearned premium reserves are held for the unexpired portion of the risk for the general fund liabilities of linked business and riders thereunder and one year renewable group term insurance.

The unit liability in respect of linked business has been taken as the value of the units standing to the credit of policyholders, using the net asset value (NAV) prevailing at the valuation date. The adequacy of charges under unit-linked policies to meet future expenses has been tested and provision made as appropriate. Provision has also been made for the cost of guarantee under unit-linked products that carry a guarantee.

9. Acquisition costs for insurance business

Acquisition costs are those costs that vary with, and are primarily related to the acquisition of new and renewal of insurance contracts including commissions and policy issue expenses. These costs are expensed in the period in which they are incurred.

10. Staff retirement benefits

ICICI Bank is required to pay gratuity to employees who retire or resign after at least five years of continuous service. ICICI Bank makes contributions to three separate gratuity funds, for employees inducted from erstwhile ICICI, employees inducted from erstwhile Bank of Madura and employees of ICICI Bank other than employees inducted from erstwhile ICICI and erstwhile Bank of Madura.

The gratuity funds for employees inducted from erstwhile ICICI and erstwhile Bank of Madura are separate gratuity funds managed by ICICI Prudential Life Insurance Company. Actuarial valuation of the gratuity liability is determined by an actuary appointed by ICICI Prudential Life Insurance Company. The investments of the funds are made according to rules prescribed by the Government of India. The accounts of the funds are audited by independent auditors.

The gratuity fund for employees of ICICI Bank other than employees inducted from erstwhile ICICI and erstwhile Bank of Madura is administered by the Life Insurance Corporation of India. In accordance with the gratuity fund's rules, actuarial valuation of gratuity liability is calculated based on certain assumptions regarding rate of interest, salary growth, mortality and staff turnover.

ICICI Bank contributes 15.0% of the total annual salary of each employee to a superannuation fund for ICICI Bank employees. ICICI Bank's employees get an option on retirement or resignation to receive one-third of the total balance and a monthly pension based on the remaining two-third balance. In the event of death of an employee, his or her beneficiary receives the remaining accumulated balance of 66.7%. ICICI Bank also gives a cash option to its employees, allowing them to receive the amount contributed by ICICI Bank in their monthly salary during their employment.

Until March 31, 2005, the superannuation fund was solely administered by the Life Insurance Corporation of India. Subsequent to March 31, 2005, the fund is being administered by both Life Insurance Corporation of India and ICICI Prudential Life Insurance Company Limited. Employees have the option to retain the existing balance with Life Insurance Corporation of India or seek a transfer to ICICI Prudential Life Insurance Company.

ICICI Bank is statutorily required to maintain a provident fund as a part of its retirement benefits to its employees. There are separate provident funds for employees inducted from erstwhile Bank of Madura (other than those employees who have opted for pensions), and for other employees of ICICI Bank. These funds are managed by in-

house trustees. Each employee contributes 12.0% of his or her basic salary (10.0% for clerks and sub-staff of erstwhile Bank of Madura) and ICICI Bank contributes an equal amount to the funds. The investments of the funds are made according to rules prescribed by the Government of India. The accounts of the funds are audited by independent auditors.

In respect of other entities within the group, retirement benefits in the form of provident fund and other defined contribution schemes, the contribution payable by the Company for the year is charged to the profit and loss account for that year. In respect of gratuity benefit and other benefit schemes, where the Company makes payments for retirement benefits

out of its own funds, provisions are made in the profit and loss account based on actuarial valuation. In cases where the liability for retirement benefits is funded through a scheme administered by an insurer, the contributions payable during the year to the insurer is charged to the profit and loss account for that year.

11. Accounting for contingencies

The Company estimates the probability of any loss that might be incurred on outcome of contingencies on the basis of information available up to the date on which the consolidated financial statements are prepared. A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are determined based on management estimate required to settle the obligation at the balance sheet date, supplemented by experience of similar transactions. These are reviewed at each balance sheet date and adjusted to reflect the current estimates. In cases where the available information indicates that the loss on the contingency is reasonably possible but the amount of loss cannot be reasonably estimated, a disclosure is made in the consolidated financial statements. In case of remote possibility neither provision nor disclosure is made in the consolidated financial statements.

12. Cash and cash equivalents

Cash and cash equivalents include cash in hand, balances with RBI, balances with other banks and money at call and short notice

13. Investments

Investments of the Bank are accounted for in accordance with the extant RBI guidelines on investment classification and valuation as given below:

a) All investments are categorised into 'Held to Maturity', 'Available for Sale' and 'Held for Trading' categories. Reclassifications, if any, in any category are accounted for as per the RBI guidelines.

   Under each category, the investments are further classified under (a) government securities (b) other approved securities (c) shares (d) bonds and debentures (e) subsidiaries and joint ventures and (f) others.

b) 'Held to Maturity' securities are carried at their acquisition cost or at amortised cost, if acquired at a premium over the face value. A provision is made for other than temporary diminution.

c) 'Available for Sale' and 'Held for Trading' securities are valued periodically as per RBI guidelines. The market/fair value for the purpose of periodical valuation of quoted investments included in the 'Available for Sale' and 'Held for Trading' categories is the market price of the scrip as available from the trades/quotes on the stock exchanges, price list of RBI or prices declared by Primary Dealers

Association of India jointly with Fixed Income Money Market and Derivatives Association ("FIMMDA").

The market/fair value of unquoted statutory liquidity ratio (SLR) securities included in the 'Available for Sale' and 'Held for Trading' categories is as per the rates published by FIMMDA. The valuation of non-SLR securities, other than those quoted on the stock exchanges, wherever linked to the Yield-to-Maturity ("YTM") rates, is with a mark-up (reflecting associated credit risk) over the YTM rates for government securities published by FIMMDA.

Unquoted equity shares are valued at the book value, if the latest balance sheet is available or at Re. 1.

Securities are valued scrip-wise and depreciation/appreciation aggregated for each category. Net appreciation, if any, in each basket, being unrealised, is ignored, while net depreciation is provided for.

d) Costs including brokerage and commission pertaining to investments, paid at the time of acquisition, are charged to the profit and loss account.

e) Profit on sale of investments in the 'Held to Maturity' category is credited to the profit and loss account and is thereafter appropriated (net of applicable taxes and statutory reserve requirements) to capital reserve.

f) At the end of each reporting period, security receipts issued by the asset reconstruction company are valued in accordance with the guidelines prescribed by RBI. Accordingly, as the security receipts issued by the asset reconstruction company are limited to the actual realisation of the financial assets assigned to the instruments in the concerned scheme, the Bank considers the Net Asset Value ("NAV"), obtained from the asset reconstruction company, for valuation of such investments at each reporting period end.

The Company's venture capital funds carry their investments at fair values, with unrealised gains and temporary losses on investments recognised as components of investors' equity and accounted for in unrealised investment reserve account included in the investment fluctuation reserve. The realised gains and losses on investments and units in mutual funds and unrealised gains or losses on restatement of units in mutual funds are accounted for in the Profit and Loss Account. The cost of investments sold is determined on weighted average basis and the cost of units in mutual funds sold is determined on first-in, first-out basis for the purpose of calculating gains or losses on sale. Provisions are made in respect of accrued income considered doubtful. Such provisions as well as any subsequent recoveries are recorded through the profit and loss account. Subscriptions to/purchase of investments are accounted at the cost of acquisition inclusive of brokerage, commission and stamp duty. Bonus shares and right entitlements are recorded when such benefits are known. Quoted investments are valued on the valuation date at the closing market price. Quoted investments that are not traded on the valuation date but are traded during the two months prior to the valuation date are valued at the latest known closing price. An appropriate discount is applied where the asset management company considers it necessary to reflect restrictions on disposal. Quoted investments not traded during the two months' prior to the valuation date are treated as unquoted. Unquoted investments are valued at their estimated fair values by applying appropriate valuation methods. Where there is a decline, other than temporary in the carrying amounts of investments, the resultant reduction in the carrying amount is charged to the profit and loss account during the period in which such decline is identified.

The Company's investment banking subsidiary classifies its investments as short-term and trading or as long-term investments. The securities held with the intention of holding for short-term and trading are classified as stock in trade and the securities acquired with the intention of holding till maturity or for a longer period are classified

as long-term investments. The securities held as stock in trade are valued at lower of cost arrived at on weighted average basis or market/fair value and long-term investments are carried at cost arrived at weighted average basis. Appropriate provision is made for other than temporary diminution in the value of investments. Commission earned in respect of securities acquired upon devolvement is reduced from the cost of acquisition.

The Company's housing finance subsidiary classifies its investments as current investments and long-term investments. Investments that are readily realisable and intended to be held for not more than a year are classified as current investments, which are carried at the lower of cost or the market value. All other investments are classified as long-term investments, which are carried at cost. However a provision for diminution in value is made to recognize any other than temporary decline in the value of investments. Costs such as brokerage, commission etc. paid at the time of acquisition of investments are included in investments costs.

In case of the Company's UK banking subsidiary, premium or discount on investments intended to be held on a continuous basis, are amortised on an effective interest rate basis through the profit and loss account over the period to maturity.

The Company's Canadian banking subsidiary classifies its investments into investment account securities or trading account securities. Investment account securities comprise debt and equity securities, originally purchased with the intention of holding to maturity or for a predetermined period of time, which may be sold in response to changes in investment objectives arising from changing market conditions or to meet the liquidity requirements.

The Company's life insurance subsidiary values its investments in real estate at historical cost subject to provision for impairment, if any. Revaluation of investments in real estate is done at least once in every three years.

14. Provisions/Write-offs on loans and other credit facilities

The Bank follows the RBI norms for income recognition and asset classification. Accordingly, all loan exposures are classified into performing and non-performing assets ('NPA'). NPAs of the Bank are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by RBI. Provisions are made on sub-standard and doubtful assets at rates prescribed by RBI. Loss assets and unsecured portion of doubtful assets are provided/written off as per the extant RBI guidelines. RBI norms also allow banks to create additional floating provisions over and above the specific provisions. The additional floating provisions are in general based on losses anticipated by the Bank on historical loss experiences or expected anticipated losses in certain loans. For restructured/rescheduled assets, provision is made by the Bank in accordance with the guidelines issued by RBI, which requires the present value of the interest sacrifice be provided at the time of

restructuring.

In the case of NPAs other than restructured NPA accounts, the account is reclassified as "standard" account if arrears of interest and principal are fully paid by the borrower. In respect of NPA accounts subjected to restructuring, the account is reclassified as "standard" account if the borrower demonstrates, over a minimum period of one year, the ability to repay the loan in accordance with the contractual terms.

Amounts recovered against other debts written off in earlier years and provisions no longer considered necessary in the context of the current status of the borrower are recognised in the profit and loss account. In addition to the specific provision on NPAs, the Bank maintains a general provision on performing loans. The general provision meets the requirements of the RBI guidelines.

In addition to the provisions required to be held according to the asset classification status, provisions are held by the Bank for individual country exposure (other than for home country). The countries are categorised into seven risk categories namely insignificant, low, moderate, high, very high, restricted and off-credit and provisioning made on exposures exceeding 90 days on a graded scale ranging from 0.25% to 100%. For exposures with contractual maturity of less than 90 days, 25% of the normal provision requirement is held. If the country exposure (net) of the Bank in respect of each country does not exceed 1% of the total funded assets, no provision is maintained on such country exposure.

In the case of the investment-banking subsidiary, the policy of provisioning against NPAs is as per the prudential norms prescribed by the RBI for non-banking financial companies. As per the policy adopted, the provision against sub-standard assets are determined, taking into account management's perception of the higher risk associated with the business of the company. Certain NPAs are considered as loss assets and full provision has been made against such assets.

In case of the housing finance subsidiary, loans and other credit facilities are classified as per the NHB guidelines into performing and non-performing assets. Further, NPAs are classified into sub-standard, doubtful and loss assets based on criteria stipulated by NHB.

In the case of the Canadian subsidiary, loans are stated net of allowance for credit losses. Loans are classified as impaired when there is no longer reasonable assurance of the timely collection of the full amount of principal or interest. An allowance for credit losses is maintained at a level that management considers adequate to absorb identified credit-related losses as well as losses that have been incurred but are not yet identifiable.

15. Transfer and servicing of financial assets

The Company transfers commercial and consumer loans through securitisation transactions. The transferred loans are de-recognised and gains/losses are recorded only if the Company surrenders the rights to benefits specified in the loan contract. Recourse and servicing obligations are reduced from proceeds of the sale. Retained beneficial interests in the loans are measured by allocating the carrying value of the loans between the assets sold and the retained interest, based on the relative fair value at the

date of the securitisation.

During the year, RBI has issued specific guidelines on securitisation of standard assets. Accordingly, with effect from February 1, 2006, the Bank accounts for any loss arising on securitisation in the profit & loss account immediately at the time of securitisation. Profit/premium, if any, arising on account of securitisation is amortised over the life of the securities issued or to be issued by the Special Purpose Vehicle (SPV).

16. Fixed assets and depreciation

Premises and other fixed assets are carried at cost less accumulated depreciation. Depreciation is charged over the estimated useful life of a fixed asset on a straight-line basis, except for those relating to venture capital, investment banking and asset management subsidiaries where depreciation is charged on a written-down value basis. The rates of depreciation for fixed assets, which are not lower than the rates prescribed in schedule XIV of the Companies Act, 1956, are given below:

Asset	Depreciation rate
Premises owned by the Bank	1.63%
ATMs	12.50%
Plant and machinery like air conditioners, xerox machines, etc	10.00%
Furniture and fixtures	15.00%
Motor vehicles	20.00%
Computers	33.33%
EDC terminals	16.67%
Others (including software and system development expenses)	25.00%

Cost comprises the purchase price and any cost attributable to bringing the asset to working condition for its intended use.

Depreciation on leased assets and improvement to leasehold premises is made on a straight-line basis at the higher of the rates determined with reference to the primary period of lease and the rates specified in Schedule XIV of the Companies Act, 1956.

Assets purchased/sold during the year are depreciated on the basis of actual number of days the asset has been put to use.

Items costing less than Rs. 5,000 are depreciated fully over a period of 12 months from the date of purchase.

In case of the venture capital subsidiary depreciation on assets, other than leased assets, is charged on written-down value method at the rates and in the manner prescribed under Schedule XIV to the Companies Act, 1956.

In case of investment banking subsidiary, depreciation on assets, other than improvements to leased property and membership rights of The Stock Exchange, Mumbai, is charged on written-down value method at the rates which are greater than or equal to the provisions of Schedule XIV of the Companies Act, 1956. A membership right of the stock exchange is treated as an asset and the value paid to acquire such rights is amortised over a period of 10 years.

In case of the asset management subsidiary, fixed assets other than leasehold improvements, and software development and licensing costs are depreciated at written-down value method based on economic lives of the asset as estimated by management.

In case of the overseas banking subsidiaries, fixed assets other than leasehold improvements are depreciated using straight-line method over the estimated useful lives of the assets as estimated by management. In case of the Canadian subsidiary, depreciation on furniture and fixtures is charged at 20% per annum.

In case of the life insurance subsidiary, assets costing up to Rs. 20,000 are fully depreciated in the year of acquisition. Intangible assets comprising software are stated at cost less amortisation. Significant improvements to software are capitalised while the insignificant improvements are charged off as software expenses. Software expenses are amortised on straight-line method over a period of three years from the date they are put to use, being management's estimate of the useful life of such intangibles. Depreciation on furniture and fixtures is charged at 25% per annum.

In case of the general insurance subsidiary, computer software are stated at costless amortisation. Computer software including improvements is amortised over a period of five years, being management's estimate of the useful life of such intangibles.

In case of housing finance subsidiary, depreciation on computer software is provided at 20% per annum.

17. Accounting for derivative contracts

The Company enters into derivative contracts such as foreign currency options, interest rate and currency swaps and cross currency interest rate swaps to hedge on-balance sheet/off-balance sheet assets and liabilities or for trading purposes.

The swap contracts entered to hedge on-balance sheet assets and liabilities are structured in such a way that they bear an opposite and offsetting impact with the underlying on-balance sheet items. The impact of such derivative instruments is correlated with the movement of underlying assets and accounted in accordance with RBI guidelines.

Foreign currency and rupee derivatives, which are entered for trading purposes, are marked to market and the resulting gain/loss, (net of provisions, if any) is recorded in the profit and loss account.

During the year the Bank changed its method for testing hedge effectiveness from the price value of basis point ("PVBP") or duration method to the marked to market method. Due to this change certain derivative contracts, which were hitherto accounted for as hedges, became ineffective and were accordingly accounted for as trading.

18. Impairment of assets

Long-lived assets and certain intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the

carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net discounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognised is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

19. Earnings per share ("EPS")

Basic and diluted earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share have been computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the year, except where the results are anti-dilutive.

B. Notes required by Indian Accounting Standards

1. Earnings per share ("EPS")

The Company reports basic and diluted earnings per equity share in accordance with Accounting Standard 20, "Earnings per Share". Basic earnings per share is computed by dividing net profit after tax attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the year.

The computation of earnings per share is given below:

Rupees in million except per share data

	Year ended March 31,	
	2005	2006
Basic		
Weighted average no. of equity shares outstanding	727,728,042	781,693,773
Net profit	18,523.3	24,200.9
Basic earnings per share (Rs.)	25.45	30.96

	Year ended March 31,	
	2005	2006
Diluted		
Weighted average no. of equity shares outstanding	733,720,485	789,963,635
Net profit	18,523.3	24,200.9

Diluted earnings per share (Rs.)	25.25	30.64
Nominal value per share (Rs.)	10.0	10.0

The dilutive impact is mainly due to options granted to employees by the Bank.

2. Related party transactions

The Company has transactions with its related parties comprising joint ventures, associates and key management personnel. The following represent the significant transactions between the Company and such related parties:

Lease of premises and facilities

During the year ended March 31, 2006, the Company charged for lease of premises, facilities and other administrative costs to joint ventures amounting to Rs. Nil (March 31, 2005: Rs. 3.4 million).

Interest received

During the year ended March 31, 2006, the Company received interest from its key management personnel(1) amounting to Rs. 0.5 million (March 31, 2005: Rs. 0.3 million).

Interest paid

During the year ended March 31, 2006, the Company paid interest to joint ventures amounting to Rs. Nil (March 31, 2005: Rs. 18.9 million).

Remuneration to whole-time directors

Remuneration paid to the whole-time directors of the Bank during the year ended March 31, 2006 was Rs. 75.9 million (March 31, 2005: Rs. 60.5 million).

Sale of investments

During the year ended March 31, 2006, the Company sold certain investments to joint ventures amounting to Rs. Nil (March 31, 2005: Rs. 3,637.3 million). On the sales made to joint ventures the Bank accounted for a loss of Rs. Nil (March 31, 2005: Rs. 14.6 million).

Purchase of investments

During the year ended March 31, 2006, the Company purchased certain investments from its joint ventures amounting to Rs. 20.2 million (March 31, 2005: Rs. 5,001.2 million).

Custodial charges received

During the year ended March 31, 2006, the Company received custodial charges from its joint ventures amounting to Rs. Nil (March 31, 2005: Rs. 1.7 million).

Fees

During the year ended March 31, 2006, the Company received cash management services fees from its joint ventures amounting to Rs. Nil (March 31, 2005: Rs. 14.5 million).

Related party balances

The following are balances payable to/receivable from the related parties included in the balance sheet as on March 31, 2006:

Rupees in million

Items/Related Party	Joint Ventures and Associates	Key Management Personnel (1)	Total
Deposits with ICICI Bank	5.3	24.9	30.2
Advances	Nil	15.4	15.4
Investments of ICICI Bank	33.5	Nil	33.5
Investments of related parties in ICICI Bank	Nil	4.3	4.3
Receivables	Nil	Nil	Nil
Payables	Nil	Nil	Nil

The following balances represent the maximum balance payable to/receivable from related parties during the year ended March 31, 2006:

Rupees in million

Items/Related Party	Joint Ventures and Associates	Key Management Personnel (1)	Total
Deposits with ICICI Bank	22.4	46.1	68.5
Advances	Nil	21.2	21.2
Investments of ICICI Bank	33.5	Nil	33.5
Investments of related parties in ICICI Bank	Nil	4.4	4.4
Receivables	Nil	Nil	Nil
Payables	Nil	Nil	Nil

The following are balances payable to/receivable from the related parties included in the balance sheet as on March 31, 2005:

Rupees in million

Items/Related Party	Joint Ventures and Associates	Key Management Personnel (1)	Total
Deposits with ICICI Bank	2.0	37.1	39.1
Advances	0.9	19.1	20.0

Investments of ICICI Bank	67.1	Nil	67.1
Investments of related parties in ICICI Bank	Nil	2.3	2.3
Receivables	Nil	Nil	Nil
Payables	Nil	Nil	Nil

The following balances represent the maximum balance payable to/receivable from related parties during the year ended March 31, 2005:

Rupees in million

Items/Related Party	Joint Ventures and Associates	Key Management Personnel (1)	Total
Deposits with ICICI Bank	64.5	196.1	260.6
Advances	0.9	19.1	20.0
Investments of ICICI Bank	67.1	Nil	67.1
Investments of related parties in ICICI Bank.............	Nil	2.3	2.3
Receivables	Nil	Nil	Nil
Payables	Nil	Nil	Nil

(1) Whole-time directors of the Board and their relatives.

Joint ventures and associates

For the year ended March 31, 2006, TCW/ICICI Investment Partners LLC and TSI Ventures (India) Private Limited have been classified as joint ventures. For the period ended March 31, 2005, Prudential ICICI Asset Management Company Limited and Prudential ICICI Trust Limited have been classified as joint ventures. These entities have been accounted as "subsidiaries" as defined in AS 21 "Consolidated Financial Statements" in the current financial year.

3. Employee Stock Option Scheme ("ESOS")

In terms of the ESOS, as amended, the maximum number of options granted to any eligible employee in a financial year shall not exceed 0.05% of the issued equity shares of the Bank at the time of grant of the options and aggregate of all such options granted to the eligible employees shall not exceed 5% of the aggregate number of the issued equity shares of the Bank on the date(s) of the grant of options.

In terms of the Scheme, 17,362,584 options (March 31, 2005: 18,215,335 options) granted to eligible employees were outstanding at March 31, 2006.

A summary of the status of the Bank's stock option plan is given below:

Stock options outstanding
Year ended March 31,

	2005	2006
Outstanding at the beginning of the year	15,964,982	18,215,335
Add: Granted during the year	7,554,500	4,981,780
Less: Forfeited/lapsed during the year	846,496	931,280
Exercised during the year	4,457,651(1)	4,903,251
Outstanding at the end of the year	18,215,335	17,362,584

1. Excludes options exercised but not allotted.

4. Fixed Assets

Fixed assets include certain softwares acquired by the Company. The movement in software assets is given below:

Rupees in million

Particulars	As of March 31, 2005	As of March 31, 2006
At cost as on March 31 of preceding period	2,381.0	2,784.4
Additions during the year	462.2	615.1
Deductions during the year	(58.8)	(52.5)
Depreciation/amortisation to date	(1,557.3)	(2,274.2)
Net Block	1,227.1	1,072.8

5. Assets given under lease

5.1 Assets given under operating lease

The future lease rentals are given in the table below:

Rupees in million

Period	As of March 31, 2005	As of March 31, 2006
Not later than one year	239.2	128.2
Later than one year and not later than five years	1,001.8	605.9
Later than five years	311.2	2.0
Total	1,552.2	736.1

5.2 Assets taken under operating lease

The future lease rental commitments are given in the table below:

Rupees in million

Period	As of March 31, 2005	As of March 31, 2006
Not later than one year	369.5	614.7
Later than one year and not later than five years	1,386.4	1,976.1
Later than five years	586.4	806.7
Total	2,342.3	3,397.5

5.3 Assets given under finance lease

The future lease rentals are given below:

Rupees in million

Period	As of March 31, 2005	As of March 31, 2006
Total of future minimum lease payments	1,105.5	817.1
Present value of lease payments	913.6	695.1
Un-matured finance charges	191.9	122.0
Maturity profile of total of future minimum lease payments		
Not later than one year	293.3	232.4
Later than one year and not later than five years.	804.5	584.7
Later than five years	7.7	--
Total	1,105.5	817.1

Maturity profile of present value of lease payments

Rupees in million

Period	As of March 31, 2005	As of March 31, 2006
Not later than one year	222.8	176.7
Later than one year and not later than five years	683.3	518.4
Later than five years	7.5	--
Total	913.6	695.1

6. Early retirement option ("ERO")

The Bank had implemented an Early Retirement Option scheme 2003 for its employees in July 2003. All employees who had completed 40 years of age

and seven years of service with the Bank (including period of service with entities amalgamated with the Bank) were eligible for the ERO.

The ex-gratia payments under ERO and termination benefits and leave encashment in excess of the provision made (net of tax benefits), aggregating to Rs. 1,910.0 million is being amortised over a period of five years commencing August 1, 2003 (the date of retirement of employees exercising the Option being July 31, 2003).

On account of the above ERO scheme, an amount of Rs. 384.0 million (March 31, 2005: Rs. 384.0 million) has been charged to revenue being the proportionate amount amortised for the year ended March 31, 2006.

7. Preference shares

The Bank had issued preference shares with a face value of Rs. 3,500.0 million during the year ended March 31,1998 under the scheme of business combination of ITC Classic Finance Limited with erstwhile ICICI Limited. These preference shares bear a dividend yield of 0.001% and is redeemable at face value after 20 years. Certain government securities amounting to Rs. 2,001.1 million (March 31, 2005: Rs. 1,952.3 million) have been earmarked against redemption of these preference shares.

Banks in India are generally not allowed to issue preference shares. However, the Company has been currently exempted from this restriction.

8. Transfer to Investment Fluctuation Reserve

An amount of Rs. 2,143.4 million being the excess balance in Investment Fluctuation Reserve (IFR) account over the regulatory requirement was transferred to general reserve account during the year ended March 31, 2005. RBI has subsequently instructed that this amount should be retained in IFR account itself. Accordingly, the said amount was transferred back to IFR account from the general reserve account in the first quarter of the year ended March 31, 2006, making IFR account balance Rs. 7,303.4 million.

RBI required banks to create IFR aggregating to 5% of their investments in fixed income securities (in AFS and Trading Book) over a five-year period starting from March 31, 2002. Accordingly a further amount of Rs. 5,900.0 million was transferred to IFR during the year ended March 31, 2006, making the IFR account balance Rs. 13,203.4 million. RBI has vide its circular DBOD.No.BP.BC.38/21.04.141/2005-06 dated October 10, 2005 permitted banks that have maintained capital of at least 9% of the risk weighted assets for both credit risk and market risk for both held for trading and available for sale categories of investments as on March 31, 2006, to transfer the balance in the IFR 'below the line' in the profit and loss appropriation account to statutory reserve, general reserve or balance of profit and loss account.

Pursuant to the above, the entire IFR account balance of Rs. 13,203.4 million has been transferred from IFR to revenue and other reserves.

9. Deferred tax

As on March 31, 2006, the Company has recorded net deferred tax asset of Rs. 2,467.9 million (March 31, 2005: Rs. 702.2 million).

The analysis of deferred tax assets and liabilities into major items is given below:

Rupees in million

Particulars	As of March 31, 2005	2006
Deferred tax assets		
Provision for bad and doubtful debts	7,285.5	6,553.8
Capital Loss	--	950.0
Others	1,076.6	1,426.0
	8,362.1	8,929.8
Less: Deferred tax liability		
Depreciation on fixed assets	7,561.1	6,709.7
Others	221.6	--
	7,782.7	6,709.7
Add: Deferred tax asset pertaining to foreign branches/subsidiaries	122.8	247.8
Total net deferred tax asset/(liability)	702.2	2,467.9

During the year ended March 31, 2006, the Bank has created a deferred tax asset on carry forward capital losses as based on its firm plans it is virtually certain that sufficient future taxable capital gains will be available against which the loss can be set off. Further, the life insurance subsidiary has created a deferred tax asset on carry forward unabsorbed losses amounting to Rs. 262.4 million (March 31, 2005: Rs. 107.9 million) based on the virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

10. Other assets

a. Exchange fluctuation

Exchange fluctuation aggregating Rs. 25.0 million (March 31, 2005: Rs. 244.7 million), which arises on account of rupee-tying agreements with the Government of India, is held in "Rupee Determine Exchange Fluctuation Account" pending adjustment at maturity on receipt of payments from the Government for repayments to foreign lenders.

b. Swap suspense (net)

Swap suspense (net) aggregating Rs. 71.6 million (debit) (March 31, 2005: Rs. 794.7 million (debit)), which arises out of conversion of foreign currency swaps, is held in "Swap suspense account" and will be reversed at conclusion of swap transactions with swap counter parties.

11. Information about business and geographical segments

The Group reports its operations into the following segments:

- Consumer and commercial banking comprises the retail and corporate banking operations of the Bank, ICICI Home Finance Company Limited, ICICI Bank UK Limited, ICICI Bank Canada and ICICI Bank Eurasia Limited Liability Company.

- Investment banking comprises the treasury of the Bank, the investment banking business of ICICI Securities Limited, ICICI Brokerage Services Limited, ICICI Securities Inc., and ICICI Securities Holdings Inc., ICICI Venture Funds Management Company Limited, ICICI Eco-net Internet & Technology Fund, ICICI Equity Fund, ICICI Strategic Investments Fund, ICICI Emerging Sectors Fund and ICICI International Limited.

- Others comprises of ICICI Lombard General Insurance Company Limited, ICICI Prudential Life Insurance Company Limited, Prudential ICICI Asset Management Company Ltd, Prudential ICICI Trust Limited, ICICI Property Trust, ICICI Investment Management Company Limited, ICICI Trusteeship Services Limited, TCW/ICICI Investment Partners LLC and TSI Ventures (India) Private Limited.

Inter-segment transactions are generally based on transfer pricing measures as determined by management. Income, expenses, assets and liabilities are either specifically identifiable with individual segments or have been allocated to segments on a systematic basis.

Based on such allocations, segmental balance sheet as on March 31, 2006 and segmental profit and loss account for the year ended March 31, 2006 have been prepared.

ICICI Bank Limited and Subsidiaries

Schedules forming part of the Consolidated Financial Statements

		Consumer and Commercial Banking		Investment Banking		Others	
		Year ended March 31,		Year ended March 31,		Year ended March 31,	
		2005	2006	2005	2006	2005	200
1	Revenue (before extraordinary profit)	108,779.9	151,950.1	32,599.2	53,425.6	37,037.6	63,1
2	Less: Inter- segment revenue	--	--	--	--	--	--
3	Total revenue (1)-(2)	--	--	--	--	--	--
4	Operating profit (i.e Profit before unallocated expenses, extraordinary						

	profit, provision, and tax)	19,965.0	33,404.2	10,439.3	14,156.9	(1,606.8)	2
5	Unallocated expenses.....	--	--	--	--	--	--
6	Provisions	1,150.9	7,532.1	3,478.4	8,944.9	(422.9)	(2
7	Profit before tax (4)-(5)-(6)	18,814.1	25,872.0	6,960.9	5,212.0	(1,183.9)	4
8	Income tax expenses (net) / (net deferred tax credit)	--	--	--	--	--	--
9	Net Profit (7)-8)	--	--	--	--	--	--
	Other Information						
10	Segment assets	1,118,447.3	1,802,556.0	588,286.8	824,793.1	47,778.4	110,7
11	Unallocated assets ...	--	--	--	--	--	--
12	Total assets (10)+(11)	--	--	--	--	--	--
13	Segment liabilities	1,353,714.3	2,080,899.1	389,689.1	584,579.5	40,024.4	104,3
14	Unallocated liabilities	--	--	--	--	--	--
15	Total liabilities (13)+(14).............	--	--	--	--	--	--

ICICI Bank Limited and Subsidiaries

Schedules forming part of the Consolidated Financial Statements

Rupees in million

	Consumer and Commercial Banking	Investment Banking	Others	Total
	Year ended March 31, 2004			
1 Revenue (before .... extraordinary profit)	97,052.3	39,140.3	13,913.3	150,105.9
2 Less: Inter- segment revenue	--	--	--	(11,049.0)
3 Total revenue (1) -(2)	--	--	--	139,056.9
4 Operating profit (i.e. Profit before unallocated expenses, extraordinary profit, provision, and tax)	13,148.9	13,625.0	(1,071.8)	25,702.1
5 Unallocated expenses	--	--	--	256.0
6 Provisions	5,803.2	440.7	--	6,243.9
7 Profit before tax (4)-(5)-(6)	7,345.7	13,184.3	(1071.8)	19,202.2
Income tax expenses (net) / 8 (net deferred tax credit) ..	--	--	--	3,398.4
9 Net Profit (7)-(8)	--	--	--	15,803.8

Geographical segments

The Group reports its operations under the following geographical segments.

a) Domestic Operations comprises branches and subsidiaries having operations in India.

b) Foreign Operations comprises branches and subsidiaries having operations outside India and offshore banking unit having operations in India.

Based on above segments the assets and revenue of the Bank for the year ended March 31, 2006 have been prepared.

Rupees in million

Sr. No.	Particulars	Domestic Operations	Foreign Operations	Total
1.	Revenue.............	243,570.9	14,040.0	257,610.9
2.	Assets..............	2,436,465.6	333,394.4	2,769,860.0

Hitherto the business operations of the Bank were largely concentrated in India. The assets and income from foreign operations were not significant to the overall consolidated operations of the Bank and have accordingly not been disclosed for the earlier comparative year.

12. Penalties imposed by RBI

The RBI had imposed penalties (ranging from Rs. 0.5 million to Rs. 2.0 million) on certain banks including ICICI Bank on January 23, 2006 under Section 47A(1)(b) of the Banking Regulation Act, 1949. A penalty of Rs. 0.5 million (March 31, 2005: Rs. Nil) had been imposed on the Bank citing contravention of RBI instructions relating to opening of accounts, monitoring of transactions for adherence to Know Your Customer ("KYC")/Anti Money Laundering ("AML") norms, and non-adherence to normal banking practices.

ICICI Bank Limited and Subsidiaries

Schedules forming part of the Consolidated Financial Statements

C. Additional Notes

1. Reserves

Profit brought forward

Represents the balance of net profit after minority interest carried forward from earlier years after allocations to following reserves:

Statutory Reserves

Represents reserves created as a percentage of the net profit before any other appropriation as required by the Banking Regulation Act, 1949. Every banking company is currently required to transfer not less than 25% of the net profit (before appropriations) to the "statutory reserves".

Capital Reserves

Represents amount of gains on sale of securities classified as held to maturity, net of tax and transfer to statutory reserves.

Share Premium

Represents amount of premium received on issue of share capital

Special Reserve

Represents reserves maintained under the Income Tax Act, 1961 to avail tax benefits.

Foreign Currency Translation Reserve

Represents exchange differences on translation of financial statements of non-integral foreign operations.

Revenue and other reserves

Represents any reserve other than capital reserves and includes all reserves other than those separately classified.

Investment Fluctuation Reserve

Represents reserves required to be maintained as a percentage of the fixed income securities of the banks for interest rate risk and unrealised gains/losses relating to its venture capital subsidiary.

Reserve Fund

Represents appropriation of 5% of net profit by Sri Lanka branch to meet the requirements of Section 20 of Sri Lankan Banking Act No 30 of 1988.

Debit balance in Profit and Loss Account

This is included under Other Assets and not deducted from the balance in Reserves

2. Deposits

Deposits include demand deposits, which are non-interest-bearing, and savings and time deposits, which are interest bearing.

Contractual maturities of time deposits as of March 31, 2006 are set out

below:

	Rupees in million
Deposits maturing during the year ending March 31,	
2007	1,182,789.2
2008	15,251.6
2009	76,186.4
2010	2,246.8
2011	19,178.7
Thereafter	22,430.1
Total time deposits	1,318,082.8

As of March 31, 2006, the aggregate of time deposits with individual balances greater than Rs. 5.0 million was Rs. 1,096,631.2 million (March 31, 2005: Rs. 574,769.2 million).

3. Long-term debt

Long-term debt represents debt with a contractual maturity of greater than one year. Maturity distribution is based on contractual maturity or the date at which the debt is callable at the option of the holder, whichever is earlier. A significant portion of the long-term debt bears a fixed rate of interest. Interest rates on floating-rate debt are generally linked to the London Inter-Bank Offer Rate or similar money market rates. The segregation between fixed-rate and floating-rate obligations is based on the contractual terms.

A listing of long-term debt as of March 31, 2006, by maturity and interest rate profile is set out below:

Rupees in million

	Fixed-rate obligations	Floating-rate Obligations	Total
Long-term debt maturing during the year ending March 31,			
2007	66,842.6	5,989.8	72,832.4
2008	42,362.1	20,938.4	63,300.5
2009	43,786.2	12,747.9	56,534.1
2010	47,031.2	4,234.2	51,265.4
2011	41,775.6	8,581.4	50,357.0
Thereafter	85,068.4	14,291.2	99,359.6
Total	326,866.1	66,782.9	393,649.0

All long-term debt is unsecured. Debt aggregating Rs. 31,957.5 million (March 31, 2005: Rs. 32,864.0 million) is guaranteed by the Government of India (GOI).

Long-term debt is denominated in various currencies. As of March 31, 2006, long-term debt comprises Indian rupee debt of Rs. 265,722.6 million (March 31, 2005: Rs. 286,685.0 million) and foreign currency debt of Rs.

127,926.4 million (March 31, 2005: Rs. 80,380.8 million).

ICICI Bank Limited and Subsidiaries

Schedules forming part of the Consolidated Financial Statements

Indian rupee debt

A listing of major category of Indian rupee debt is set out below

Rupees in million

Category	As of March 31, 2006			
	Amount	Weighted average interest rate	Range	Average residual maturity (in years)
Bonds issued to institutional /individual investors	178,651.2	8.94%	4.74-16.38%	4.88
Bonds eligible for statutory reserve requirements(1)......	14,815.0	11.60%	11.50-12.00%	4.21
Borrowings from GOI	3,122.4	10.85%	0.00-13.00%	2.36
Refinance from financial institutions.................	67,745.6	6.59%	5.50-12.00%	1.77
Fixed Deposits	1,388.4	10.4%	9.10-11.25%	0.49
Total	265,722.6	8.31%		4.00

1) Banks in India are required to mandatorily maintain a specified percentage of certain liabilities as cash or in approved securities. These bonds issued by the Company are approved securities under the rules.

Rupees in million

Category	As of March 31, 2005			
	Amount	Weighted average interest rate	Range	Average residual maturity (in years)
Bonds issued to institutional /individual investors(1)	196,581.7	9.90%	4.56-25.29%	3.24
Bonds eligible for statutory reserve requirements(2)....................	14,815.0	11.60%	11.50-12.00%	5.21

Borrowings from GOI	4,230.2	10.24%	0.00-13.00%	2.58
Refinance from financial institutions.......................	68,987.6	6.55%	5.50-12.00%	2.97
Fixed Deposits	2,070.5	10.67%	9.10-11.50	1.30
Total	286,685.0	8.88%		3.25

1) Includes application money received on bonds outstanding at the end of the year.

2) Banks in India are required to mandatorily maintain a specified percentage of certain liabilities as cash or in approved securities. These bonds issued by the Company are approved securities under the rules.

ICICI Bank Limited and Subsidiaries

Schedules forming part of the Consolidated Financial Statements

Foreign currency debt

A listing of major categories of foreign currency debt is set out below:

Rupees in million

Category	As of March 31, 2006			
	Amount	Weighted average interest rate	Range	Average residual maturity (in years)
Borrowings from international development agencies (1) (2)	23,820.6	5.08%	0.00-6.75%	9.39
Other borrowings from international markets	104,105.8	5.16%	0.00-6.12%	2.95
Total	127,926.4	5.14%		4.15

1) These borrowings have been raised under specific lines of credit from international development agencies. The borrowings have lender-imposed restrictions that limit the use of the funds for specified purposes, which include lending to specified sectors.

2) Exchange rate fluctuations on certain borrowings are guaranteed by the GOI.

Rupees in million

Category	As of March 31, 2005			
	Amount	Weighted average interest rate	Range	Average residual maturity (in years)
Borrowings from international development agencies (1) (2)	24,949.3	3.84%	0.00-6.75%	8.71
Other borrowings from international markets	55,431.5	4.38%	0.00-7.55%	3.01
Total	80,380.8	4.20%		4.78

1) These borrowings have been raised under specific lines of credit from international development agencies. The borrowings have lender-imposed restrictions that limit the use of the funds for specified purposes, which include lending to specified sectors.

2) Exchange rate fluctuations on certain borrowings are guaranteed by the GOI.

4. Cash and cash equivalents

Deposits with the Reserve Bank of India include Rs. 70,908.6 million (March 31, 2005: Rs. 57,966.1 million) maintained in accordance with the guidelines governing minimum cash reserve requirements. The balances maintained with the Reserve Bank of India towards cash reserve requirements are subject to withdrawal and usage restrictions.

Deposits with other Banks include Rs. 26,170.5 million (March 31, 2005: 10,780.1 million) towards deposits, which have maturity greater than 90 days.

5. Investments

The portfolio of investments classified as available for sale is set out below.

	As of March 31, 2005				As of March 31, 2006	
	Amortised	Gross unrealised	Gross unrealised	Fair	Amortised	Gross unrealised

	cost	gain	loss	value	cost	gain
Available for sale						
Corporate debt securities	19,203.3	1,342.2	(177.4)	20,368.1	34,423.8	238.3
Government securities	34,005.3	--	(0.9)	34,004.4	116,023.6	0.1
Other securities(1) .	6,561.8	51.4	(3.0)	6,610.2	12,947.2	21.6
Total debt securities	59,770.4	1,393.6	(181.3)	60,982.7	163,394.6	260.0
Equity securities ...	19,801.8	5,619.3	(989.8)	24,431.3	23,055.8	7,023.5
Other investments (2)	34,765.6	3,109.3	(538.5)	37,336.4	63,460.1	3,833.2
Total	114,337.8	10,122.2	(1,709.6)	122,750.4	249,910.5	11,116.7

Income from securities available for sale

A listing of income from securities classified as available for sale is set out below:

Rupees in million

	Year ended March 31,		
	2004	2005	2006
Interest	13,831.3	8,900.7	6,970.5
Dividends	1,061.0	925.5	1,745.6
Total	14,892.3	9,826.2	8,716.1
Gross realised gain	5,312.9	5,815.2	9,509.3
Gross realised loss	(3,316.9)	(1,838.2)	(1,257.5)
Total	1,996.0	3,977.0	8,251.8

6. Repurchase transactions

The Company has undertaken repurchase and reverse repurchase transactions in GOI securities. The average level of repurchase transactions outstanding during the year ended March 31, 2006, was Rs. 19,779.0 million (March 31, 2005: Rs. 11,773.0 million). The average level of reverse repurchase transactions outstanding during the year ended March 31, 2006, was Rs. 1,615.0 million (March 31, 2005: Rs. 14,316.0 million). As of March 31, 2006, outstanding repurchase and reverse repurchase transactions were Rs. 16,450.0 million (March 31, 2005: Rs. 13,076.0 million) and Rs. 2.0 million (March 31, 2005: Rs. Nil) respectively.

ICICI Bank Limited and Subsidiaries

Schedules forming part of the Consolidated Financial Statements

7. Loans

A listing of loans by category is set out below.

Rupees in million

	As of March 31, 2005	As of March 31, 2006
Commercial, financial, agricultural and others	447,358.3	665,549.4
Consumer loans and credit card receivables(1)	532,138.4	910,870.9
Lease financing(2)	884.6	736.2
Gross loans	980,381.3	1,577,156.5
Allowances for loan losses	16,281.7	14,553.3
Loans, net	964,099.6	1,562,603.2

1) Includes installment loans but excludes developer financing.
2) Leasing and related activities includes leasing and hire purchase

Maturity profile of loans

A maturity profile of gross loans is set out below:

Rupees in millio

	As of March 31,	
	2005	2006
Less than one year	284,062.4	425,591.7
One to five years..................................	407,070.0	789,909.5
Greater than five years............................	272,967.2	347,102.0
Total..	964,099.6	1,562,603.2

Interest and fees on loans

A listing of interest and fees on loans (net of unearned income) is set out below.

Rupees in million

	As of March 31,		
	2004	2005	2006
Commercial, financial, agricultural and others	36,836.9	31,673.7	36,791.3
Consumer loans and credit card receivables ...	25,006.6	38,024.1	64,280.6
Lease financing	145.6	113.6	70.7
Total	61,989.1	69,811.4	101,142.6

ICICI Bank Limited and Subsidiaries

Schedules forming part of the Consolidated Financial Statements

Restructured loans

The Company classifies a loan as a restructured loan where it has made concessionary modifications that it would not otherwise consider, to the contractual terms of a loan to a borrower experiencing financial difficulties. As of March 31, 2006, the Company had committed to lend Rs. 1,031.4 million (March 31, 2005: Rs. 2,891.8 million), to borrowers who are parties to troubled debt restructurings.

Standard restructured loans

A listing of restructured loans is set out below:

Rupees in million

	As of March 31,	
	2005	2006
Commercial, financial, agricultural and others (1)	57,083.0	46,511.7
Working capital finance (including working capital term loans)	1,099.3	657.4
Other	---	---
Restructured loans	58,182.3	47,169.1
Allowance for loan losses	(2,863.3)	(2,185.0)
Restructured loans, net	55,319.0	44,984.1

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(1) Excludes working capital finance.

A listing of non-performing loans is set out below:

Rupees in million

	As of March 31,	
	2005	2006
Commercial, financial, agricultural and others (1)	16,836.8	5,019.1
Working capital finance (including working capital term loans)	2,808.4	2,943.4
Consumer loans and credit card receivables and others	8,428.5	14,395.9
Non-performing loans	28,073.7	22,358.4
Suspended interest and claims received from ECGC/DICGC	(283.6)	(271.6)
Allowance for loan losses	(12,483.9)	(11,502.9)
Non-performing loans, net	15,306.2	10,583.9

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(1) Excludes working capital finance.

Provision for loan losses

Movements in the provision for loan losses are set out below:

Rupees in million

	Year ended March 31,		
	2004	2005	2006
Provisions for loan losses at the beginning of the year	22,078.1	16,308.1	12,483.9
Provisions for loan losses made during the year	7,334.1	18,059.5	5,561.2
Write-off/write-back of excess provisions	(13,104.1)	(21,883.7)	(6,542.2)
Provisions for loan losses at the end of the year	16,308.1	12,483.9	11,502.9

8. Financial assets transferred during the period/year to Securitisation Company SC) / Reconstruction Company (RC)

The Bank has transferred certain assets to an asset reconstruction company (ARC) in terms of the guidelines issued by RBI governing such transfer. For the purpose of the valuation of the underlying security receipts issued by ARC, the security receipts are valued at their respective NAVs as advised by the ARC. The details of the assets transferred for the

relevant year are given in the table below:

A	No. of accounts
B	Aggregate book value (net of provisions) of accounts sold to ARC
C	Aggregate consideration
D	Additional consideration realised in respect of accounts transferred in earlier years (1)
E	Aggregate gain/(loss) over net sale value

1. During the year ended March 31, 2006, ARC fully redeemed four security receipts. The Bank realised Rs. 95.7 million over the gross book value of the security receipts.

9. Details of non-performing assets sold excluding transfers to ARC

The Bank has sold certain cases of non-performing assets in terms of the guidelines issued by RBI, governing such sale. The details of assets sold are given below:

Rupees in million

Particulars	Year ended March 31, 2006
1. No. of borrower accounts sold	366
2. Aggregate outstanding (Gross)	14,384.1
3. Aggregate consideration received	2,223.2

10. Credit Exposure

a) As on March 31, 2006 the Bank does not have any single borrower exposure above 15% of capital funds

b) As on March 31, 2005 the Bank has taken single borrower exposure above 15% with the approval of the Board of Directors in the cases given below:

Name of Borrower	As on Ma % to ca
Bharat Heavy Electrical Limited	1
Essar Oil Limited	1
ARCIL (including security receipts issued by underlying trusts managed by ARCIL)	1
Larsen & Toubro Limited	1

ICICI Bank Limited and Subsidiaries

Schedules forming part of the Consolidated Financial Statements

11. Concentration of credit risk

Concentration of credit risk exists when changes in economic, industry or geographic factors similarly affect groups of counterparties whose aggregate credit exposure is material in relation to Company's total credit exposure. The Company's portfolio of financial instruments is broadly diversified along industry, product and geographic lines primarily within India.

The Bank's 20 largest borrowers based on gross exposure, totaled approximately Rs. 366,510.7 million as of March 31, 2006 (March 31, 2005: Rs. 264,435.7 million) which represented 153.9% (March 31, 2005: 175.9%) of the capital funds. The single largest borrower as of March 31, 2005 was Rs. 30,981.8 million (March 31, 2005: 27,667.7 million) which represented 13.0% (March 31, 2005: 19.5%) of the capital funds.

The largest group of companies under the same management control accounted for approximately 22.2% (March 31, 2005: 30.6%) of our capital funds.

12. Loan commitments

The Company has outstanding undrawn commitments to provide loans and financing to customers. These loan commitments aggregated Rs. 82,644.9 million as of March 31, 2006 (March 31, 2005: Rs. 37,817.7 million). The interest rate on these commitments is dependent on the lending rates on the date of the loan disbursement. Further, the commitments have fixed expiration dates and are contingent upon the borrower's ability to maintain specific credit standards.

13. Guarantees

As a part of its project financing and commercial banking activities, the Company has issued guarantees to enhance the credit standing of its customers. These generally represent irrevocable assurances that the Company will make payments in the event that the customer fails to fulfill its financial or performance obligations. Financial guarantees are obligations to pay a third party beneficiary where a customer fails to make payment towards a specified financial obligation. Performance guarantees are obligations to pay a third party beneficiary where a customer fails to perform a non-financial contractual obligation. The guarantees are generally for a period not exceeding 10 years.

The credit risk associated with these products, as well as the operating risks, are similar to those relating to other types of financial instruments. The current carrying amount of the liability for the Company's obligations under the guarantee as on March 31, 2006 amounted to Rs. 1,042.5 million (March 31, 2005: Rs. 1,256.2 million).

Details of guarantees outstanding are set out below:

Rupees

Nature of guarantee	Maximum potential amount of future payments under guarant			
	Less than 1 year	1 - 3 year	3 - 5 year	Over 5 year
Financial guarantees...........	44,426.9	14,084.0	6,917.3	3,231.9
Performance guarantees.........	56,085.1	58,249.6	15,283.5	3,461.2
Total guarantees	100,512.0	72,333.6	22,200.8	6,693.1

ICICI Bank Limited and Subsidiaries

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The Company has collateral available to reimburse potential losses on its guarantees. Margins available to the Company to reimburse losses realised under guarantees amounted to Rs. 10,291.4 million (March 31, 2005: Rs. 4,066.3 million). Other property or security may also be available to the Company to cover these losses under guarantees.

14. Securitisation

The information on securitisation activity of the Company, as an originator, for the year ended March 31, 2006 and March 31, 2005 is given in the table below:

Rupees in mill

	Year ended March 3	
	2005	2006
Total number of loan assets securitised	942,567	909,
Total book value of loan assets securitised	160,071.2	94,85
Sale consideration received for the securitised assets	163,412.2	102,85

The gain on account of securitisation during the year ended March 31, 2006 is Rs. 4,032.4 million (March 31, 2005: Rs. 3,976.1 million, March 31, 2004: Rs. 1,567.8 million)

The information on securitisation activity of the Bank as an originator as on March 31, 2005 and March 31, 2006 is given in the table below:

Rupees in million

	As of March 31,

	2005	2006
Outstanding credit enhancement	7,234.3	16,369.2
Outstanding liquidity facility	--	2,640.4
Outstanding servicing liability	260.7	695.6
Outstanding subordinate contributions......	17,712.7	8,369.8

Key assumptions during the year ended March 31, 2006 in measuring the fair value of retained interests at the date of sale or securitisation and also for subsequent measurement of retained interests as on March 31, 2006 are given in the table below:

	Auto Loans	Personal loans	Two wh loa
Discount rate	8.35% to 16.22%	16.01% to 23.83%	17.68% t
Constant prepayment rate (per annum)	3.00% to 39.00%	24.00% to 51.00%	
Anticipated net credit losses (per annum) ...	0.55% to 3.50%	3.00%	1.82%

15. Capital commitments

The Company is obligated under a number of capital contracts. Capital contracts are job orders of a capital nature, which have been committed. As of the balance sheet date, work had not been completed to this extent. Estimated amounts of contracts remaining to be executed on capital account aggregated Rs. 1,462.8 million as of March 31, 2006 (March 31, 2005: Rs. 704.4 million).

16. Forward rate agreement ("FRA")/ Interest rate swaps ("IRS")

The details of the forward rate agreements/interest rate swaps of the Bank are given below:

Rupees in milli

Particular	As on March 31, 2005	2006
The notional principal of rupee swap agreements	1,165,402.0	1,870,025
Losses which would be incurred if counterparties failed to fulfil their obligations under the agreements	9,865.3	16,754
Collateral required by the Bank upon entering into swaps	---	---

Concentration of credit risk arising from the rupee swaps	274.6	476
The fair value of the rupee trading swap book (2)	333.6	922

1. Notional principal of swap agreements includes both hedge and trading portfolio
2. Fair value represents clean mark-to-market.

17. Rupee and foreign currency derivatives

ICICI Bank is a major participant in the financial derivatives market. The Bank deals in derivatives for balance sheet management and market making purposes whereby the Bank offers derivative products to its customers, enabling them to hedge their risks.

Dealing in derivatives is carried out by identified groups in the treasury of the Bank based on purpose of transaction. Derivative transactions are entered into by the treasury front office. Treasury middle office conducts an independent check of the transactions entered into by the front office and also undertakes activities such as confirmation, settlement, accounting, risk monitoring and reporting and ensures compliance with various internal and regulatory guidelines.

The market making and the proprietary trading activities in derivatives are governed by the investment policy of the Bank, which lays down the position limits, stop loss limits as well as other risk limits. The Risk Management Group ("RMG") lays down the methodology for computation and monitoring of risk. Risk Committee of the Board (RCB) reviews the Bank's risk management policy in relation to various risks (portfolio, liquidity, interest rate, off-balance sheet and operational risks), investment policies and compliance issues in relation thereto. The RCB comprises of independent directors and the Managing Director and CEO.

Risk monitoring on derivatives portfolio is done on a daily basis. The Bank measures and monitors risk using Value at Risk ("VAR") approach and the relevant greeks for options. Risk reporting on derivatives forms an integral part of the management information system and the marked to market position and the VAR of the derivatives portfolio is reported on a daily basis.

The use of derivatives for hedging purpose is governed by the hedge policy approved by Asset Liability Management Committee ("ALCO"). Subject to prevailing RBI guidelines, the Bank deals in derivatives for hedging fixed rate, floating rate or foreign currency assets/ liabilities. Transactions for hedging and market making purposes are recorded separately. For hedge transactions, the Bank identifies the hedged item (asset or liability) at the inception of the transaction itself. The effectiveness is assessed at the inception of the hedge and periodically thereafter. During the year the Bank changed its method for testing hedge effectiveness from the price value of basis point ("PVBP") or duration method to the marked to market method. Due to this change certain derivative contracts,

which were hitherto accounted for as hedges, became ineffective and were accordingly accounted for as trading.

Hedge derivative transactions are accounted for pursuant to the principles of hedge accounting. Derivatives for market making purpose are marked to market and the resulting gain/loss is recorded in the profit and loss account. Premia on options are accounted for at the expiry of the options. The Bank makes provisions on the outstanding positions in trading derivatives for possible adverse movements in underlying. Derivative transactions are covered under International Swap Dealers Association ("ISDA") master agreements with the respective counterparties. The credit exposure on account of derivative transactions is computed as per RBI guidelines and is marked against the credit limits approved for the respective counterparties.

Sr No.	Particular	As on Ma
		Currency derivatives (1
1	Derivatives (Notional principal amount)	
	a) For hedging	14,506.6
	b) For trading	430,887.1
2	Marked to market positions (3)	
	a) Asset (+)	2,184.3
	b) Liability (-)	---
3	Credit exposure	21,520.9

1. Options & Cross Currency Interest Rate Swap ('CCIRS') are included in currency derivatives.
2. Foreign currency Interest Rate Swaps, Forward Rate Agreements and swaptions are included in interest rate derivatives.
3. For trading portfolio.

Sr No.	Particular	As on Ma
		Currency derivatives (1
1	Derivatives (Notional principal amount)	
	a) For hedging	10,012.0
	b) For trading	274,325.6
2	Marked to market positions(3)	
	a) Asset (+)	454.9
	b) Liability (-)	---
3	Credit exposure	9,426.7

1. Options & Cross Currency Interest Rate Swap ('CCIRS') are included in currency derivatives.

2. Foreign currency Interest Rate Swaps, Forward Rate Agreements and swaptions are included in interest rate derivatives.

3. For trading portfolio

18. Tax contingencies

Various tax-related legal proceedings are pending against the Company at various levels of appeal either with the tax authorities or in the courts. Where after considering all available information in the opinion of management a liability requires accrual, the Company has accrued such liability and does not estimate any incremental liability in respect of related proceedings.

Where such proceedings are sufficiently advanced to enable management to assess that a liability exist and is subject to reasonable estimation management will record its best estimate of such liability. Where a reasonable range of potential outcomes is estimated, management will record its best estimate, or in the absence of a basis for selecting a

specific estimate within a range management will record a liability no less than the lower end of the estimated range. The contested tax demands are adjusted by the tax authorities against refunds due to the Company on favourable resolution of earlier years appeals/ completion of assessments or paid or kept in abeyance in accordance with the terms of the stay order. The payment/adjustment/stay does not prejudice the outcome of the appeals filed by the Company. The advanced tax payments are recorded as advance tax payments under other asset.

As of March 31, 2006, the Company has been assessed an aggregate of Rs.30,321.0 million in excess of the provision made in the financial statements in income tax, interest tax, wealth tax and sales tax demands by the Government of India's tax authorities for past years. The Company has appealed each of these tax demands. The Company believes that the tax authorities are not likely to be able to substantiate their income tax, interest tax, wealth tax and sales tax assessments and accordingly has not provided for these tax demands as of March 31, 2006 based on views of eminent counsels/favorable decisions in own/other cases.

Of the above, Rs.3,858.6 million relates to bad debt written off, Rs.2,968.2 million towards withdrawal of special reserve, Rs.4,358.6 million towards expenditures incurred for dividends and Rs.4,180.1 million towards penalty orders.

Of the above, Rs.11,029.1 million relates to 'disallowance of depreciation on leased assets'. This issue is an industry-wide issue, involving multiple litigations across the country.

In one of the instances relating to the above, the Income-tax Appellate Tribunal, which is the second appellate level authority, has disallowed

the depreciation to the Company in case of assets leased by it. The contingent liability on this disallowance amounts to Rs. 318.0 million. The Company has preferred an appeal to the Mumbai High Court, which has not yet come up for hearing. The lower level tax authorities in subsequent years have been consistently denying the depreciation claim of the Company by treating the lease transactions as loans and have allowed only the principal portion of lease rentals as a deduction.

Based on judicial precedents and recent decisions of the Supreme Court and based on consultation with senior tax counsel, the management believes that it is more likely than not that the Company's tax positions will be sustained. Accordingly, no provision has been made in the accounts.

19. Litigation

Various litigation and claims against the Company and its subsidiaries are in process and pending. Based upon a review of open matters with legal counsel, management believes that the outcome of such matters will not have a material effect upon the Company's consolidated financial position, results of operations or cash flows.

20. Changes in accounting policies

a. Subvention income

The Bank has aligned its accounting policy for subvention income with its accounting policy for direct marketing agency/associate expenses. Accordingly, subvention income has been accounted for in the period in which it is received instead of over the period of

the loan. As a result of the change in policy, the impact on profit after tax for the year ended March 31, 2006 is not expected to be significant.

b. Provisioning

RBI has increased the requirement of general provisioning on standard loans (excluding loans to agriculture sector and small and medium enterprises) to 0.40% compared to 0.25% applicable till September 30, 2005. In accordance with the revised guidelines on general provisioning on standard loans, the Bank has made general provision of Rs. 3,390.2 million during the year ended March 31, 2006. The Bank has reassessed its provision requirement on performing loans and non-performing loans on a portfolio basis at March 31, 2006. Based on this reassessment, the Bank has written back an amount of Rs. 1,692.2 million from its existing provisions against non-performing loans which were in excess of the regulatory requirement.

c. Depreciation on premises

In case of the Bank's venture fund management company; the company has revised the method of providing depreciation on premises taken on lease

from written down value method to amortising the same on straight-line basis over lease period. As a result the depreciation for the year is higher by Rs.3.0 million.

d. Derivatives

Prior to March 31, 2004 the Company recognised only unrealised losses on trading derivatives and ignored unrealised gains, if any. With effect from April 1, 2004 the Company recognises unrealised gains and losses in the profit and loss account. As a result the profit after tax for fiscal 2005 was higher by Rs. 296.3 million.

21. Selected information from Indian GAAP financials

The Income statement, Balance Sheet and the Statement of stockholders equity as per the format required by Article 3 and Article 12 of Regulation S-X are given below:

	Year
	2004
Interest and dividend income	93,526.7
Interest expense	71,676.6
Net interest income	21,850.1
Provision for loan losses	5,081.1
Provision for investments	1,170.3
Net interest income/ (loss) after provision for loan losses	15,598.7
Non-interest income	45,530.2
Non-interest expense	41,934.3
Income/(loss) before equity in loss of affiliates, minority interest, income taxes	19,194.6
Equity in loss of affiliates	---
Less: Minority interest	(7.5)
Income/(loss) before income taxes	19,202.1
Income tax (expense)/benefit	3,398.3
Net income/(loss)	15,803.8

ICICI Bank Limited and Subsidiaries

Schedules forming part of the Consolidated Financial Statements

	Year
	2004
Earnings per equity share: (Rs.)	

Basic	25.73
Diluted	25.52
Weighted average number of equity shares used in computing earnings per equity share (millions)	
Basic	614
Diluted	619

Rupees in million

	Year ended March 31,	
	2005	2006
Assets		
Cash and cash equivalents	136,277.0	182,550.9
Investments	546,516.2	840,138.8
Loans, net	964,099.6	1,562,603.2
Property, plant and equipment	41,781.9	41,428.7
Goodwill	---	624.0
Deferred tax asset (net)	702.2	2,472.0
Interest accrued, outstanding fees and other income	17,223.1	26,466.5
Assets held for sale	3,677.2	3,627.9
Other Assets	74,059.4	112,383.6
Total assets	1,784,336.6	2,772,295.6
Liabilities		
Interest bearing deposits	885,195.6	1,560,654.3
Non-interest bearing deposits	125,890.7	163,855.5
Short term borrowings and trading liabilities	98,963.4	163,708.7
Long-term debt	367,065.8	393,649.0
Redeemable preferred stock	3,500.0	3,500.0
Other liabilities	179,454.2	261,760.9
Total liabilities	1,660,069.7	2,547,128.4
Minority Interest	1,524.8	2,749.4
Shareholders' equity	122,742.1	222,417.8
Total liabilities and shareholders' equity	1,784,336.6	2,772,295.6

ICICI Bank Limited and Subsidiaries

Schedules forming part of the Consolidated Financial Statements

The statement of stockholders equity for the years ended March 31, 2004, March 31, 2005 and March 31, 2006.

Ru

	Equity Share Capital	Share Premium	Revenue and Other Reserves
Balance as on April 1, 2003	6,130.2	8,158.5	31,760.8
Proceeds from issue of share capital	33.7	477.6	---
Additions during the year	---	---	131.1
Deductions during the year	---	---	(3,446.3)
Balance as on March 31, 2004	6,163.9	8,636.1	28,445.6

1. Includes Statutory reserve, Special reserve, Investment fluctuation reserve and Capital reserve.

Ru

	Equity Share Capital	Share Premium	Revenue and Other Reserves
Balance as on April 1, 2004	6,163.9	8,636.1	28,445.6
Proceeds from issue of share capital	1,203.8	31,897.1	--
Additions during the year	--	--	8,926.1
Deductions during the year	--	(528.1)	(108.5)
Balance as on March 31, 2005	7,367.7	40,005.1	37,263.2

1. Includes Statutory reserve, Special reserve, Investment fluctuation reserve, Capital reserve and Foreign currency translation reserve.

Ru

	Equity Share Capital	Share Premium	Revenue and Other Reserves
Balance as on April 1, 2005	7,367.7	40,005.1	37,263.2
Proceeds from issue of share capital	1,530.9	79,194.0	--
Additions during the year	--	--	17,420.3
Deductions during the year	(0.3)	(874.1)	(3,723.6)
Balance as on March 31, 2006	8,898.3	118,325.0	50,959.9

1. Includes Statutory reserve, Special reserve, Investment fluctuation reserve, Capital reserve, Reserve fund and Foreign currency translation reserve.

Supplementary information to the Cash Flow Statement

Rupees in million

	Year ended March 31,		
	2004	2005	2006
Supplementary Information			
Non Cash Items			
Foreclosed Items	1,087.0	3,677.0	3,628.0
Conversion of loan to equity shares......	1,162.0	2,385.0	597.4
Interest paid	74,256.2	68,316.5	99,870.3

ICICI Bank Limited and Subsidiaries

Schedules forming part of the Consolidated Financial Statements

22. Differences between Indian GAAP and US GAAP

The consolidated financial statements of the Company are prepared in accordance with Indian GAAP which differs in certain significant aspects from US GAAP.

The following tables summarize the significant adjustments to consolidated net income and stockholders' equity which would result from the application of US GAAP:

1. Net income reconciliation

	Note	Year ended March 3	
		2004	2005
Consolidated profit after tax as per Indian GAAP.............................		15,803.8	18,523.3
Adjustments on account of:			
Allowance for loan losses	(a)	(11,585.3)	(14,666.9)
Business combinations....................	(b)	(1,331.8)	(500.5)
Consolidation............................	(c)	(312.0)	613.0
Valuation of debt and equity securities...	(d)	(1,609.7)	150.5
Amortisation of fees and costs...........	(e)	1,247.1	1,935.7
Accounting for derivatives...............	(f)	834.9	(1,478.8)

Deferred taxes..........................	(g)	2.172.1	3,953.7
Total impact of all adjustments..........		(10,584.7)	(9,993.3)
Net income as per US GAAP................		5,219.1	8,530.0
Basic earnings per share			
Indian GAAP (consolidated)...............		25.73	25.45
US GAAP..................................		8.50	11.72
Diluted earnings per share			
Indian GAAP (consolidated)...............		25.52	25.25
US GAAP..................................		8.43	11.60

ICICI Bank Limited and Subsidiaries

Schedules forming part of the Consolidated Financial Statements

2. Stockholders' equity reconciliation

Rupees in million

	Note	As on March 31, 2005	As on March 31, 2006
Consolidated net worth as per Indian GAAP.................................		121,833.3	219,982.2
Adjustments on account of:			
Allowance for loan losses	(a)	(14,819.8)	(20,034.0)
Business combinations	(b)	396.8	(661.0)
Consolidation	(c)	(492.8)	(2,067.4)
Valuation of debt and equity securities .	(d)	2,018.8	(1,971.0)
Amortisation of fees and costs	(e)	4,005.6	7,389.1
Accounting for derivatives	(f)	179.3	26.1
Deferred taxes	(g)	7,734.4	7,358.5
Proposed dividend	(h)	7,140.3	8,624.3
Total impact of all adjustments		6,162.6	(1,335.4)

Stockholders' equity as per US GAAP	127,995.9	218,646.8

a) Allowance for loan losses

The differences in the allowance for loan losses between Indian GAAP and US GAAP are primarily on account of:

i) Prescriptive provisioning on performing and non-performing loans as per Reserve Bank of India ("RBI") guidelines under Indian GAAP as compared to allowances made in accordance with SFAS No. 5 on "Accounting for Contingencies" and SFAS No. 114 on "Accounting by Creditors for Impairment of a Loan" issued by the FASB under US GAAP. Under Indian GAAP, in line with the RBI guidelines, the Bank classifies loans as non-performing when interest or installments are overdue for more than 90 days. RBI norms also allow banks to create additional floating provisions over and above the specific provisions. The additional floating provisions are generally based on losses anticipated by the Bank on historical loss experiences or expected anticipated losses in certain loans.

ii) Differences in the discount rates and cash flows used for computing allowances created on restructured assets under Indian GAAP and US GAAP.

iii) Provisions on sale of certain loans to an asset reconstruction company not accounted for as sale under US GAAP. The loss on assets transferred to an asset reconstruction company are included under allowance for loan losses under US GAAP whereas under Indian GAAP, these are netted off from the security receipts received as consideration for sale as the transfer of these loans is treated as a sale under Indian GAAP. The allowance for loan losses under US GAAP as at March 31, 2006 included Rs 28,336.7

million (March 31, 2005: Rs 25,358.8 million) on loans sold to an asset reconstruction company.

The guidelines on provisioning for loan losses are as follows:

Classification	Provisioning
Standard loans	A general provision of 0.40% (excluding direct advances to the agricultural and small and medium enterprise sectors) is required for all standard (non-impaired) loans.
Sub-standard assets	A loan is classified as sub-standard if interest payments or installments have remained overdue for more than 90 days. A

	provision of 10% is required for all sub-standard loans. An additional provision of 10% is required for accounts that are abinitio unsecured
Doubtful assets	A loan is classified as a doubtful loan, if it has remained as sub-standard for more than a year. A 100% provision/write-off is required in respect of the unsecured portion of the doubtful loans. 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 quarter ended June 30, 2004 a 100% provision is required for loans classified as doubtful for more than three years on or after April 1, 2004. In respect of assets classified as doubtful for more than three years up to March 31, 2004, 60% to 100% provision on the secured portion is 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 loan is required to be written off or provided for.
Restructured loans	A provision equal to the difference between the present value of the future interest as per the original loan agreement and the present value of the future interest on the basis of rescheduled terms at the time of restructuring is required to be made.

Under US GAAP, the impaired loans portfolio is classified into restructured loans and other impaired loans. Restructured loans represent loans whose terms relating to interest and installment payments have been modified and qualify as troubled debt restructurings as defined in SFAS No. 15 on "Accounting by Debtors and Creditors for Troubled Debt Restructurings". Other impaired loans represent loans other than restructured loans, which qualify for impairment as per SFAS No. 114.

Under US GAAP, larger balance, non-homogenous exposures representing significant individual credit exposures (both funded and non-funded), are evaluated on the basis of borrower's overall financial condition, resources and payment record and the realisable value of any collateral. This estimate considers all available evidence including the present value of the expected future cash flows discounted at the loan's contractual effective rate and the fair value of collateral. Allowances recognized on account of reductions of future interest rates as a part of troubled debt restructurings are accreted as a credit to

the provision for loan losses over the tenor of the restructured loan. Each portfolio of smaller-balance, homogenous loans, including consumer mortgage, installment, revolving credit and most other consumer loans, is individually evaluated for impairment. The allowance for loan losses attributed to these loans is established via a process that includes an estimate of probable losses inherent in the portfolio, based upon various statistical analysis.

Under US GAAP, the allowance for loan losses for restructured loans is created by discounting expected cash flows at contracted interest rates, unlike Indian GAAP, under which current interest rates are used.

Under US GAAP, the allowances include provisions for credit losses on the performing portfolio based on the estimated probable losses inherent in the portfolio. The allowances on the performing portfolio are established after considering historical and projected default rates and loss severities.

Under Indian GAAP, in respect of non-performing loan accounts subjected to restructuring, the account is upgraded to standard category if the borrower demonstrates, over a minimum period of one year, the ability to repay the loan in accordance with the contractual terms. However, the process of upgradation under US GAAP is not rule-based and the timing of upgradation may differ across individual loans.

During fiscal 2005 and fiscal 2006, the Company transferred certain impaired loans to borrower specific funds/trusts managed by an asset reconstruction company against the issuance of security receipts by the funds/trusts. The funds/trusts have been set up by the asset reconstruction company under enacted debt recovery legislation in India and aim to improve the recoveries of banks from non-performing assets by aggregating lender interests and speeding up enforcement of security interest by lenders. While under Indian GAAP the entire transfer was recognized as a sale, under US GAAP these transfers are not recognised as a sale due to the following reasons:

- Certain transfers did not qualify for sale accounting under SFAS No. 140 on "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities".

- Certain transfers qualified for sale accounting but were impacted by FASB Interpretation No. 46 on "Consolidation of Variable Interests" (FIN 46)/FASB Interpretation No 46R (FIN 46R). The funds/trusts to which these loans have been transferred are variable interest entities within the definition contained in FIN 46. As the Bank is the 'Primary Beneficiary' of certain funds/trusts, it is required under US GAAP to consolidate these entities.

b) Business combinations

The differences arising due to business combinations are primarily on account of:

i) Determination of the accounting acquirer.

ii) Accounting of intangible assets and goodwill.

Under US GAAP, the amalgamation between ICICI Bank Limited and ICICI Limited was accounted for as a reverse acquisition in fiscal 2003. This means that ICICI Limited was recognised as the accounting acquirer in the amalgamation, although ICICI Bank was the legal acquirer. On the acquisition date, ICICI held a 46% ownership interest in ICICI Bank. Accordingly, the acquisition of the balance 54% ownership interest has been accounted for as a step-acquisition. Under Indian GAAP, ICICI Bank Limited was recognised as the legal and the accounting acquirer and the assets and liabilities of ICICI Limited were incorporated in the books of ICICI Bank Limited in accordance with the purchase method of accounting. Further under US GAAP the amalgamation resulted in goodwill and intangible assets while the amalgamation under Indian GAAP resulted in a capital reserve (negative goodwill) which was accounted for as Revenue and Other Reserves according to the scheme of amalgamation.

Further for certain acquisitions made by the Company no goodwill has been accounted for under Indian GAAP primarily due to accounting for the amalgamation by the pooling of interests method. However under US GAAP goodwill has been accounted for in accordance with SFAS No. 141 on "Business Combinations" and SFAS No. 142 on "Goodwill and Other Intangible Assets".

Under US GAAP subsequent to the adoption of SFAS No. 142, the Company does not amortise goodwill and intangibles with infinite life but instead tests the same for impairment at least annually. The annual impairment test under SFAS No. 142 does not indicate an impairment loss for fiscal 2004, fiscal 2005 and fiscal 2006.

Under US GAAP intangible assets are amortised over their estimated useful lives in proportion to the economic benefits consumed in each period.

The estimated useful life of intangible assets is as follows:

	No. of years
Customer-related intangibles..............................	3-10
Other intangibles...	5

In fiscal 2006, the Company recorded goodwill under US GAAP of Rs. 1,196.8 million in relation to the acquisitions of software, business process outsourcing and asset management companies in India and the United States for an aggregate cash consideration of Rs 1,480.1 million. The revenue and total assets of the acquired companies are immaterial to the consolidated results of operations and financial position of the Company. The Company has also entered into a contract with some of the companies acquired, to pay additional amounts if certain criteria are met.

In fiscal 2005, the Company recorded goodwill under US GAAP of Rs. 2,004.0 million in relation to the acquisitions of business process outsourcing and research companies in India and United States for an aggregate cash consideration of Rs 2,139.6 million. The revenue and total assets of the acquired companies are immaterial to the consolidated results of operations and financial position of the Company. The Company has also entered into a contract with some of the companies acquired to pay additional amounts if, certain criteria are met. Further in one of the acquisitions, the Company has the option to acquire a majority stake in property companies owned by the seller.

A listing of goodwill and intangible assets, by category under US GAAP is set out below:

Rupees in million

	As of March 31,	
	2005	2006
Goodwill	7,407.0	8,603.8
Customer-related intangibles	5,991.1	5,991.1
Accumulated amortisation	(1,835.0)	(2,467.5)
Customer related intangibles, net	4,156.1	3,523.6
Asset management and advisory intangibles(1)	--	367.0

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	2005	2006
Other intangibles	76.0	76.0
Accumulated amortisation	(33.0)	(47.0)
Other intangibles, net	43.0	29.0
Goodwill and intangible assets, net	11,606.1	12,523.4

1. With indefinite life

The following table presents the changes in goodwill under US GAAP:

Rupees in million

	As of March 31,	
	2005	2006

Opening balance	5,403.0	7,407.0
Goodwill relating to acquisitions consummated during the period	2,004.0	1,196.8
Closing balance	7,407.0	8,603.8

The estimated amortisation schedule for intangible assets under US GAAP, on a straight line basis, for the next five years is set out below.

Rupees in million

Year ended March 31	
2007	678.0
2008	597.0
2009	547.0
2010	547.0
2011	547.0
Thereafter	636.6
Total	3,552.6

c) Consolidation

The differences on account of consolidation are primarily on account of:

i) Majority owned entities where the Company has temporary control

ii) Variable interest entities

iii) Consolidation of insurance subsidiaries

Under Indian GAAP, the Company has not consolidated certain entities (primarily 3i Infotech Limited and ICICI OneSource Limited) in which control is intended to be temporary. However under US GAAP, these entities have been consolidated as SFAS No. 94 on "Consolidation of majority owned subsidiaries" requires consolidation of such entities. The net income and total assets of these entities under US GAAP were Rs. 736.2 million for fiscal 2006 (fiscal 2005: Rs. 185.2 million) and Rs. 37,039.3 million at March 31, 2006 (March 31, 2005: Rs. 17,219.5 million).

Under Indian GAAP, consolidation is required only if there is ownership of more than one-half of the voting power of an enterprise or control of the composition of the board of directors in the case of a company or of the composition of the governing body in case of any other enterprise.

However, under US GAAP, the Company consolidates companies deemed to be

Variable Interest Entities (VIEs) where the Company is determined to be the primary beneficiary under FIN 46.

During the year, the Company transferred certain impaired loans to borrower specific funds/trusts managed by an asset reconstruction company. The funds/trusts (which are separate legal entities) issued Security Receipts ('SRs') to the Company and other transferors as consideration for the transaction. The funds/trusts have been set up by the asset reconstruction company under recently enacted debt recovery legislation in India and aim to improve the recoveries of banks from impaired assets by aggregating lender interests and speeding up enforcement of security interest by lenders. Certain transfers did not qualify for sale accounting under SFAS No. 140 and continue to be reflected as loans on the balance sheet of the Company. Other transfers qualified for sale accounting but were impacted by FIN 46/FIN 46R.

The funds/trusts to which these loans have been transferred are VIEs within the definition contained in FIN 46.

The Company's venture capital subsidiary is involved with entities that may be deemed VIEs. The FASB permitted non-registered investment companies to defer consolidation of VIEs with which they are involved until the proposed Statement of Position on the clarification of the scope of the Investment Company Audit Guide is finalised, which is expected in 2006. Following issuance of the Statement of Position, the FASB will consider further modification to FIN 46R to provide an exception for companies that qualify to apply the revised Audit Guide. Following issuance of the revised Audit Guide and further modification, if any, to FIN 46R, the Company will assess the effect of such guidance on its venture capital business

Under Indian GAAP the insurance subsidiaries (ICICI Prudential Life Insurance Company Limited and ICICI Lombard General Insurance Company Limited) are fully consolidated whereas under US GAAP, these subsidiaries are accounted for by the equity method of accounting as the minority shareholders have substantive participating rights as defined in Issue No 96-16 issued by the Emerging Issues Task Force.

Acquisition costs for insurance subsidiaries are those costs that vary with, and are primarily related to the acquisition of new and renewal insurance contracts i.e. commissions, policy issue expenses, etc. Under Indian GAAP, these costs are expensed in the profit and loss account while under US GAAP the same is amortised over the life of the policy. The claims provisions under Indian GAAP are made in accordance with IRDA guidelines whereas under US GAAP the provisions are made in accordance with the provisions of SFAS 60 on "Accounting and Reporting by Insurance Enterprises" and SFAS 97 on "Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and for Realised Gains and Losses from the Sale of Investments". The net impact of the differences on net income of the insurance subsidiaries is insignificant.

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d) Valuation of securities

Under Indian GAAP, net unrealised gains on investments by category are ignored, except for the insurance subsidiaries wherein the unrealised gains and losses are transferred to the fair value change account grouped under Revenue and Other Reserves.

Under US GAAP the unrealised gains or losses on trading assets are recognised in the profit and loss account and the unrealised gains or losses on securities classified as 'available for sale' are recognised in 'Accumulated Other Comprehensive Income' under stockholders' equity, net of tax. The total unrealised gains/(losses) taken to stockholders' equity as on March 31, 2006 under US GAAP amounted to Rs. 431.3 million (March 31, 2005: Rs 3,289.2 million). Under Indian GAAP the unrealised gains and temporary losses on investments of venture capital subsidiaries are recognised in the 'Investment Fluctuation Reserve'. Under US GAAP the unrealised gains or losses on investments of venture capital subsidiaries are recognised in the profit and loss account.

Further, under US GAAP the merger between ICICI Limited and ICICI Bank Limited was accounted for as a reverse merger wherein ICICI Limited was the accounting acquirer. Accordingly all assets and liabilities of ICICI Bank Limited were fair valued under US GAAP resulting in a different cost basis in the books of the consolidated entity as compared to Indian GAAP wherein ICICI Bank Limited was the accounting acquirer.

Under Indian GAAP, during fiscal 2005, the Company transferred investments amounting to Rs. 213,489.4 million from available for sale category to held to maturity category in accordance with the RBI guidelines. The difference between the book value of each investment and the lower of its acquisition cost and market value on the date of transfer, amounting to Rs 1,828.2 million has been provided for in the profit and loss account. Under US GAAP, these investments continue to be classified as 'available for sale'.

e) Amortisation of fees and costs

Under US GAAP, loan origination fees (net of costs) are amortised over the period of the loans as an adjustment to the yield on the loan. However under Indian GAAP, loan origination fees are accounted for upfront except for certain fees which are received in lieu of sacrifice of future interest, which are amortised over the remaining period of the facility. Loan origination costs, including commissions paid to direct marketing agents are expensed in the year in which they are incurred.

ICICI Bank Limited had implemented an Early Retirement Option Scheme 2003 ('ERO') for its employees in July 2003. All employees who had completed 40 years of age and seven years of service with the Bank (including period of service with entities amalgamated with the Bank) were eligible for the ERO. The ex-gratia payments under ERO, termination benefits and leave encashment in the excess of the provision made (net of tax benefits), aggregating to Rs. 1,910.0 million are being amortised under Indian GAAP over the period of five years commencing August 1, 2003. Under US GAAP, the same has been accounted in accordance with the provisions of SFAS No. 87 on "Employers' Accounting for Pensions" and SFAS No. 88 on "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits".

f) Accounting for derivatives

Under Indian GAAP, prior to March 31, 2004 the Company recognised only unrealised losses on trading derivatives and ignored unrealised gains, if any. With effect from

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April 1, 2004 the Company recognises unrealised gains and losses in the profit and loss account.

Under Indian GAAP the swap contracts entered to hedge on-balance sheet assets and liabilities are structured in such a way that they bear an opposite and offsetting impact with the underlying on-balance sheet items. The impact of such derivative instruments is correlated with the movement of underlying assets and accounted for at fair value or on accrual basis, in accordance with RBI guidelines.

Under US GAAP, the Company accounts for its derivative transactions in accordance with the provisions of SFAS No. 133 on "Accounting for Derivative Instruments and Hedging Activities". Accordingly certain derivative contracts classified as hedges under Indian GAAP may not qualify as hedges under US GAAP and accordingly are accounted for as trading derivatives.

Under US GAAP the Company has designated certain derivatives as fair value hedges of certain interest bearing assets and liabilities under SFAS No. 133. There are no cash flow hedges or hedges of net investments in foreign operations. At the inception of a hedge transaction, the Company formally documents the hedge relationship and the risk management objective and strategy for undertaking the hedge. This process includes identification of the hedging instrument, hedged item, risk being hedged and the methodology for assessing effectiveness and measuring ineffectiveness of the hedge. In addition, the Company assesses both at the inception of the hedge and on an ongoing basis, whether the derivative used in the hedging transaction is effective in offsetting changes in fair value or cash flows of the hedged item, and whether the derivative is expected to continue to be highly effective. The Company assesses the effectiveness of the hedge instrument at inception and continually on a quarterly basis.

g) Deferred Taxes

The differences in the accounting for deferred taxes are primarily on account of:

i) Tax impact of all US GAAP adjustments.

ii) Deferred taxes created on undistributed earnings of subsidiaries and affiliates under US GAAP. Deferred taxes are not required to be created on undistributed earnings of subsidiaries and affiliates under Indian GAAP.

iii) Deferred taxes created on carry forward capital losses based on more likely than not criterion under US GAAP as against virtual certainty under Indian GAAP. As per the more likely than not criterion, a valuation allowance on the deferred tax asset is created where the probability of realisation of the deferred tax asset is not more likely than not. However under the virtual certainty criterion a deferred tax asset is recognised on unabsorbed depreciation or carry

forward losses under tax laws only to the extent there is convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised.

h) Dividend

Under US GAAP, dividends on common stock and the related dividend tax are recognized in the year of approval by the Board of Directors. Under Indian GAAP, dividends on common stock and the related dividend tax are recognized in the year to which it relates to.

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23. Notes under US GAAP

1. Additional information required under US GAAP

a. Insurance companies

Under US GAAP the Company accounts for its 74% ownership interest in ICICI Prudential Life Insurance Limited ('ICICI Prulife') and ICICI Lombard General Insurance Company Limited ('ICICI Lombard') by the equity method of accounting because of substantive participative rights held by the minority shareholders. The carrying value of the investment in these companies as of March 31, 2006, was Rs. 6,527.4 million (March 31, 2005: Rs. 4,294.0 million). The Company's equity in the loss of these affiliates for the year ended March 31, 2006 was Rs. 521.2 million (March 31, 2005: Rs. 645.0 million, March 31, 2004: Rs. 1,561.0 million).

The summarized balance-sheets and statements of operations of these entities as of and for the years ended March 31, 2006 and March 31, 2005 is set out below.

Rupees in million

Balance sheet	As of March 31,			
	2005		2006	
	ICICI Prulife	ICICI Lombard	ICICI Prulife	ICICI Lombard
Cash and cash equivalents	2,032.7	500.1	2,903.4	1,077.9
Securities	11,026.4	4,702.6	16,025.0	9,092.2
Assets held to cover linked liabilities ..	26,540.6	--	69,996.3	--
Other assets	5,852.3	2,975.0	12,689.0	7,069.5
Total assets	45,452.0	8,177.7	101,613.7	17,239.6
Provision for linked liabilities	26,540.6	--	69,996.3	
Other liabilities.........................	15,476.8	5,810.7	26,505.5	13,408.4
Stockholders' equity	3,434.6	2,367.0	5,111.9	3,831.2

Total liabilities and stockholders' equity	45,452.0	8,177.7	101,613.7	17,239.6

Rupees in million

Statement of income	As of March 31,			
	2005		2006	
	ICICI Prulife	ICICI Lombard	ICICI Prulife	ICICI Lombard
Interest income	660.4	217.6	709.4	460.1
Interest expense	--	--	--	--
Net interest income	660.4	217.6	709.4	460.1
Insurance premium	5,744.3	2,153.9	9,636.2	5,175.3
Other Non-interest income	244.8	929.5	2,291.8	1,208.6
Non-interest expense	(7,482.7)	(2,826.9)	(13,294.7)	(6,462.0)
Income tax (expense)/ benefit	(476.8)	(37.1)	(442.1)	13.1
Net income/(loss)	(1,310.0)	437.0	(1,099.4)	395.1

Others

The carrying value of the investment in other affiliates as of March 31, 2006, was Rs. 4.0 million (March 31, 2005: Rs. 431.4 million). The Company's equity in the income of such affiliates for the year ended March 31, 2006, was Rs. 12.7 million (March 31, 2005; Rs. 70.0 million; March 31, 2004; Rs. 123.0 million).

b. Employee benefits

Gratuity

In accordance with Indian regulations, the Company provides for gratuity, a defined benefit retirement plan covering all employees. The plan provides a lump sum payment to vested employees at retirement or termination of employment based on the respective employee's salary and the years of employment with the Company. The gratuity benefit provided by the Company to its employees is equal to or greater than the statutory minimum.

In respect of the parent company, the gratuity benefit is provided to the employee either through a fund administered by a Board of Trustees and

managed by Life Insurance Corporation of India (LIC) or through ICICI Prulife. The Company is responsible for settling the gratuity obligation through contributions to the fund. The plan is fully funded.

In respect of the remaining entities within the group, the gratuity benefit is provided through annual contributions to a fund administered and managed by the LIC. Under this scheme, the settlement obligation remains with the Company, although the LIC administers the scheme and determines the contribution premium required to be paid by the Company.

The following table sets forth the funded status of the plans and the amounts recognized in the financial statements:

Rupees in million

	As of March 31,	
	2005	2006
Change in benefit obligations		
Projected benefit obligations at beginning of the year	803.3	946.0
Obligations assumed on acquisition	--	7.5
Service cost	153.3	214.0
Interest cost	55.6	69.8
Benefits paid	(24.7)	(67.4)
Actuarial (gain)/loss on obligations	(41.5)	(24.1)
Projected benefit obligations at the end of the year .	946.0	1,145.8
Change in plan assets		
Fair value of plan assets at beginning of the year ...	514.4	716.5
Fair value of plan assets acquired on acquisition	--	5.1
Actual return on plan assets	52.6	28.9
Employer contributions	174.2	166.4
Benefits paid	(24.7)	(66.4)
Plan assets at the end of the year	716.5	850.5
Funded status	(229.5)	(295.3)
Unrecognized actuarial loss	235.8	249.3
Unrecognized transitional obligation	(15.5)	(14.5)
Unrecognized prior service cost	55.8	50.1

	As of March 31,	
	2005	2006
Net (amount recognised) prepaid gratuity cost	46.6	(10.4)
Accumulated benefit obligation at year end	402.1	496.9

The components of the net gratuity cost are set out below.

Rupees in million

	Year ended March 31,		
	2004	2005	2006
Service cost................................	106.0	153.3	214.0
Interest cost...............................	99.0	55.6	69.8
Expected return on assets....................	(68.0)	(44.5)	(59.4)
Amortisation of transition asset/liability....	(1.0)	(1.0)	(1.0)
Amortisation of prior service cost...........	6.0	5.7	5.7
Actuarial (gain)/loss........................	2.0	9.8	(7.2)
Curtailment (gain)/ loss.....................	25.0	--	--
Net gratuity cost............................	169.0	178.9	221.9

Weighted average assumptions used to determine net periodic benefit cost for the period:

Rupees in million

	As of March 31,		
	2004	2005	2006
Discount rate	7.0%	7.5%	8.0%
Rate of increase in the compensation levels	7.0%	7.0%	7.0%
Rate of return on plan assets	7.5%	7.5%	7.5%

Weighted average assumptions used to determine benefit obligations:

	As of March 31,	
	2005	2006
Discount rate.......................................	7.5%	8.0%
Rate of increase in the compensation levels..........	7.0%	7.0%

As of March 31, 2006, of the total plan assets Rs. 1.6 million (March 31, 2005; Rs. 1.6 million) has been invested in debt securities of the Company.

Plan Assets

The Company determines its assumptions for the expected rate of return on plan assets based on the expected average long term rate of return over the next 15 to 20 years.

The Company's asset allocation for the gratuity at the end of the year ended March 31, 2006 and March 31, 2005 and the target allocation for year ending March 31, 2007 by asset category based on fair values is as

follows:

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Asset Category	Target asset allocation 2007	Post-retirement asset at Mar 31, 2006	Post-retirement asset at Mar 31, 2005
Debt Securities	0%	0%	0%
Other investments......	100%	100%	100%
Total.................	100%	100%	100%

The plan assets are either maintained by LIC or ICICI Prulife.

Investment strategy for plan assets maintained by ICICI Prulife

The ICICI Prulife administers the plan fund and it independently determines the target allocation by asset category. The investment strategy is to invest in a prudent manner for providing benefits to the participants of the scheme. ICICI Prulife primarily invests in debt securities or relatively low risk securities. The strategies are targeted to produce a return that, when combined with the Company's contribution to the funds will maintain the fund's ability to meet all required benefit obligations. The insurance industry in the country is highly regulated and ICICI Prulife functions within regulated investment norms.

Investment strategy for plan assets maintained by the LIC

The LIC administers the plan fund and it independently determines the target allocation by asset category. The LIC primarily investments in government securities and other debt instruments. The selection of investments and the asset category is determined by LIC. The LIC's strategy is to invest in a prudent manner to produce a return that will enable the fund to meet the required benefit obligations. The insurance industry in the country is highly regulated and the LIC, which is majority owned by the Government of India, functions within regulated investment norms. As such, while the return on investments is subject to market interest rate and other risks, no untoward losses are expected to the plan assets. No such events have occurred in the history of operations of the fund.

The benefit expected be paid in each of the next five fiscal year and in the five fiscal years thereafter is as follows:

	Rupees in million
Expected company contributions to the fund during the year 2006-- 2007..	178.4
Expected benefit payments from the fund during:	
2006- 2007..	64.4

2007-- 2008	38.6
2008-- 2009	54.3
2009-- 2010	88.5
2010-- 2011	120.9
Thereafter	857.4

Pension

The Company provides for pension, a deferred retirement plan covering certain employees. The plan provides for a pension payment on a monthly basis to these employees on their retirement based on the respective employee's salary and years of employment with the Company. Employees covered by the pension plan are not eligible for benefits under the provident fund plan, a defined contribution plan. The pension plan pertained to the acquiree which was acquired with effect from April 2003.

The pension plan is funded through periodic contributions to a fund set-up by the Company and administrated by a Board of Trustees. Such contributions are actuarially determined.

The following table sets forth the funded status of the plan and the amounts recognized in the financial statements.

Rupees in million

	As of March 31,	
	2005	2006
Change in benefit obligations		
Projected benefit obligations at beginning of the year	1,034.2	1,018.7
Service cost	10.2	8.9
Interest cost	70.4	74.1
Benefits paid	(61.1)	(72.0)
Actuarial (gain)/loss on obligations	(35.0)	(20.6)
Projected benefit obligations at the end of the year	1,018.7	1,009.1
Change in plan assets		
Fair value of plan assets at beginning of the year	1,046.9	1,154.0
Actual return on plan assets	159.6	140.1
Employer contributions	8.6	7.4
Benefits paid	(61.1)	(72.0)
Plan assets at the end of the year	1,154.0	1,229.5
Funded status	135.3	220.4
Unrecognized actuarial loss/(gain)	(135.9)	(210.8)
Net Amount Recognized	(0.6)	9.6

Accumulated benefit obligation at year end	949.9	950.3

The components of the net pension cost are set out below

Rupees in million

	Year ended March 31,	
	2005	2006
Service cost	10.2	8.9
Interest cost	70.4	74.1
Expected return on assets	(76.7)	(84.7)
Actuarial (gain) / loss	--	(1.2)
Net pension cost	3.9	(2.9)

Weighted average assumptions used to determine net periodic benefit cost for the period:

	As of March 31,	
	2005	2006
Discount rate	7.5%	8.0%
Rate of increase in the compensation levels	7.0%	7.0%
Rate of return on plan assets	7.5%	7.5%
Pension increases	3.0%	3.0%

Weighted average assumptions used to determine benefit obligations:

	As of March 31,	
	2005	2006
Discount rate	7.5%	8.0%
Rate of increase in the compensation levels	7.0%	7.0%
Pension increases	3.0%	3.0%

Plan Assets

The Company determines its assumptions for the expected rate of return on

plan assets based on the expected average long-term rate of return over the next 15 to 20 years.

The Company's asset allocation for the pension at the end of the year ended March 31, 2005 and March 31, 2004 and the target allocation for year ending March 31, 2005 by asset category based on fair values are as follows:

Asset Category	Target asset allocation 2006	Pension assets at March 31, 2005	Pension assets at March 31, 2004
Debt Securities.........	100%	100%	100%
Other investments.......	0%	0%	0%
Total..................	100%	100%	100%

The plan assets are maintained through a fund administered and managed by a Board of Trustees.

The investment strategy of the Company is to invest in a prudent manner for providing benefits to the participants of the scheme. The strategies are targeted to produce a return that, when combined with the Company's contribution to the funds will maintain the fund's ability to meet all required benefit obligations. Risk is reduced by investment in GOI Securities or relatively low risk securities.

The benefit expected be paid in each of the next five fiscal years thereafter is as follows:

	Rupees in milli
Expected company contributions to the fund during the year 2006--2007.............	10.0
Expected benefit payments from the fund during:	
2006-- 2007..	65.8
2007-- 2008..	68.3
2008-- 2009..	72.8
2009-- 2010..	76.9
2010-- 2011..	81.2
Thereafter	465.0

Superannuation

The permanent employees of the Company are entitled to receive retirement benefits under the superannuation scheme operated by the Company.

Superannuation is a defined contribution plan under which the Company contributes annually a sum equivalent to 15.0% of the employee's eligible annual salary to LIC, the manager of the fund, which undertakes to pay the lump sum and annuity payments pursuant to the scheme. The Company contributed Rs. 103.0 million, Rs. 109.0 million and Rs. 110.0 million to the employees superannuation plan for the years ended March 31, 2004, 2005 and 2006, respectively.

Provident fund

In accordance with Indian regulations, employees of the Company (excluding those covered under the pension scheme) are entitled to receive benefits under the provident fund, a defined contribution plan, in which, both the employee and the Company contribute monthly at a determined rate. These contributions are made to a fund set up by the Company and administered by a Board of Trustees. The contribution to the employees provident fund amounted to Rs. 236.0 million, Rs. 280.0 million and Rs. 428.0 million for the years ended March 31, 2004, 2005 and 2006, respectively.

c) Stock-based compensation -- Pro forma disclosures

The Company does not deduct the expense of stock option grant from its income statement based on the fair value method as the Company has adopted pro-forma disclosure provisions of SFAS No. 123 on "Accounting for Stock based Compensation". The Company is required to adopt SFAS No. 123 (R) for period beginning after June 15, 2005. Had compensation cost been determined in a manner consistent with a fair value approach described in SFAS No. 123, the Company's net income and earnings per share would have changed to the amounts indicated below.

		Rupees
	Year ended March 3	
	2004	2005
Net income/(loss) (in millions)		
As reported	5,219.0	8,529.7
Add: Stock based employee compensation expense included in reported net income, net of tax effect	--	48.0
Less: Stock based employee compensation expense determined under fair value based method, net of tax effect	308.7	478.0
Pro forma net income/(loss)	4,910.3	8,099.7
Earnings/ (loss) per share: Basic (in Rs.)		
As reported	8.50	11.72
Pro forma	8.00	11.13
Earnings/ loss) per share: Diluted (in Rs.)		
As reported	8.43	11.60
Pro forma	7.93	11.02

ICICI Bank Limited and Subsidiaries

Schedules forming part of the Consolidated Financial Statements

The fair value of the options is estimated on the date of the grant using the Black-Scholes options pricing model, with the following assumptions:

	Year ended March 31,		
	2004	2005	2006
Dividend yield..................	4.1%	2.7%	2.0%
Expected life....................	10 years	3-6 years	3-6 years
Risk free interest rate..........	5.1% - 5.9%	4.6%-6.1%	6.4%-7.2%
Volatility.......................	40%	39%	37.7%

d. Earnings per share (EPS)

Basic earnings per share (EPS) is net income per weighted average equity shares. Diluted EPS reflects the effect that existing options would have on the basic EPS if they were to be exercised, by increasing the number of equity shares.

The basic and diluted EPS under US GAAP differs to the extent that income under US GAAP differs.

The computation of earnings per share as per US GAAP is given below:

Rupee

	Year ended March 31,				
	2004		2005		
	(in millions, except earnings per share				
	Basic	Fully Diluted	Basic	Fully diluted	Basi
Earnings					
Net income (before dilutive impact)	5,219.0	5,219.0	8,529.7	8,529.7	20,04
Contingent issuances of subsidiaries.........	-	-	-	(13.9)	
Net income (adjusted for full dilution)......	5,219.0	5,219.0	8,529.7	8,515.8	20,04
Common stock					
Weighted-average common stock outstanding....	614.2	614.2	727.7	727.7	78
Dilutive effect of employee stock options....	-	5.0	-	6.0	
Total.....................................	614.2	619.2	727.7	733.7	78
Earnings per share					

Net income (Rs)............................	8.50	8.43	11.72	11.60	25

Options to purchase equity shares 5,000 equity shares (March 31, 2005: Nil) granted to employees at a weighted average exercise price of Rs.569.55 (March 31, 2005: Rs. Nil) were outstanding during the year ended March 31, 2006, but were not included in the computation of diluted earnings per share because the exercise price of the options was greater than the average market price of the equity shares during the period.

ICICI Bank Limited and Subsidiaries

Schedules forming part of the Consolidated Financial Statements

e. Income taxes

Components of deferred tax balances

The components of the deferred tax balances are set out below.

Rupees in million

	As of March 31,	
	2005	2006
Deferred tax assets		
Allowance for loan losses......................	18,930.8	14,056.7
Available for sale securities..................	1,383.7	2,502.0
Investments in trading securities..............	80.3	45.2
Employee retirement	391.5	242.3
Capital loss carry forward.....................	881.1	1,583.4
Business loss carry forward....................	558.8	679.3
Deposits.......................................	12.0	6.5
Investments in affiliates......................	991.0	1,274.7
Other..	226.7	582.5
	23,455.9	20,972.6
Valuation allowance............................	(135.0)	(780.2)
Total deferred tax asset.......................	23,320.9	20,192.4
Deferred tax liabilities		
Property and equipment.........................	(7,916.4)	(7,226.6)
Investments in subsidiaries and affiliates......	(431.7)	(823.8)
Intangibles....................................	(1,531.5)	(1,329.7)
Unearned income................................	(1,580.0)	(2,614.8)
Investment in trading securities...............	--	--
Long-term debt.................................	(238.7)	(219.2)
Available for sale securities..................	--	--
Others...	(62.1)	(52.2)
Total deferred tax liability...................	(11,760.4)	(12,266.3)

Net deferred tax asset........................	11,560.5	7,926.1
	=========	=========

In assessing the realisability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realised. The ultimate realisation of the deferred tax asset is dependent on the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, the projected future taxable income, and tax planning strategies in making this assessment. Based on the level of historical taxable income and projections for future taxable incomes over the periods in which the deferred tax assets are deductible, management believes that it is more likely than not that the Company will realise the benefits of those deductible differences. The amount of deferred tax assets considered realisable, however could be reduced in the near term if estimates of future taxable income are reduced.

The Indian statutory tax rate is 35% plus a surcharge. During each of the years presented, legislation was enacted in the first few months of the fiscal year that changed the amount of the surcharge for that fiscal year and future years. The surcharge was changed to 2.5%, 4.55% and 12.2% during the years ended March 31, 2004, 2005 and 2006, respectively,

and resulted in a total statutory tax rate of 35.875%, 36.5925% and 33.66% for the years ended March 31, 2004, 2005 and 2006, respectively.

Reconciliation of tax rates

The following is the reconciliation of expected income taxes at statutory income tax rate to income tax expense /benefit as reported:

Rupees in million

	Year ended March 31,		
	2004	2005	2006
Income/(loss) before income taxes	6,857.0	10,166.5	28,682.9
Statutory tax rate	35.875%	36.5925%	33.66%
Income tax expense/(benefit) at the statutory tax rate...	2,459.9	3,720.2	9,654.7
Increases/(reductions) in taxes on account of:			
Special tax deductions available to financial institutions..	(32.1)	(39.9)	(841.5
Exempt interest and dividend income	(905.6)	(478.8)	(398.9
Income charged at rates other than statutory tax rate	(741.2)	(1,005.2)	(1,392.7
Changes in the statutory tax rate	137.3	(147.4)	807.2
Expenses disallowed for tax purposes	269.9	244.8	710.8

Tax on undistributed earnings of subsidiary	134.0	12.0	108.5
Change in valuation allowance	371.3	(757.7)	(38.2
Tax adjustments in respect of prior year tax assessments...	(9.3)	6.6	65.0
Tax adjustment on account of change in tax status of subsidiary	--	--	--
Other	(46.0)	81.9	(32.5
Income tax expense/ (benefit) reported	1,638.2	1,636.5	8,642.4

Only an insignificant amount of the Company's income/(loss) before income taxes and income tax expense/(benefit) was from outside India.

The Company had a valuation allowance of Rs. 524.2 million as at April 1, 2003. The net change in the total valuation allowance for the years ended March 31, 2004, March 31, 2005 and March 31, 2006 was an increase of Rs. 368.6 million, a decrease of Rs. 757.8 million and an increase of Rs. 645.2 million respectively. The majority of the valuation allowance as of March 31, 2006 related to business loss carried forward and capital loss carried forward.

As at March 31, 2006, the Company has total business loss carry forwards of Rs. 1,591.5 million. Of this amount, Rs. 173.5 million expires in 2011, Rs. 61.3 million expires in 2012 and Rs. 78.0 million expires in 2013. Business loss carry forwards pertaining to Company's US subsidiary are Rs. 523.0 million which expire in 2025, Canada subsidiary are Rs. 755.7 million, which expire Rs. 263.1 million in 2012 and Rs. 492.6 million in 2016.

The Company has capital loss carry forward of Rs. 6,988.4 million, with expiration dates as follows: March 31, 2009: Rs. 3.7 million, March 31, 2010: Rs. 2.8 million, March 31, 2011: Rs. 0.5 million, March 31, 2012: Rs. 4,873.5 million and March 31, 2013: Rs. 2,107.9 million.

ICICI Bank Limited and Subsidiaries

Schedules forming part of the Consolidated Financial Statements

f. Regulatory matters

Statutory liquidity requirement

In accordance with the Banking Regulation Act, 1949, the Company is required to maintain a specified percentage of its net demand and time liabilities by way of liquid unencumbered assets like cash, gold and approved securities. The amount of securities required to be maintained at March 31, 2006 was Rs. 446,604.7 million (March 31, 2005: Rs. 325,140.0 million)

Capital Adequacy

The Company is subject to the capital adequacy requirements set by the Reserve Bank of India, which stipulate a minimum ratio of capital to risk adjusted assets and off- balance sheet items of 9% to be maintained. The

capital adequacy ratio of the Company calculated in accordance with the Reserve Bank of India guidelines at March 31, 2006 was 13.35%.

24. Convenience Translation

Solely for the convenience of the readers, the financial statements as of and for the year ended March 31, 2006, have been translated into United States dollar at the noon buying rate in New York City on March 31, 2006, for cable transfers in Indian rupees, as certified for customs purposes by the Federal Reserve of New York of US$ 1 = Rs. 44.48. No representation is made that the Indian rupee amounts have been, could have been or could be converted into United States dollars at such a rate or any other certain rate on March 31, 2006, or at any other certain date.

25. Comparative figures

Figures of the previous year have been regrouped to conform to the current year presentation.

For and on behalf of Board of Directors

K. V. Kamath Managing Director & CEO	Kalpana Morparia Joint Managing Director	
Vishakha Mulye Chief Financial Officer & Treasurer	Jyotin Mehta General Manager & Company Secretary	Rakesh Jha General Manager

Place: Mumbai
Date : June 11, 2006

EXHIBIT INDEX

Exhibit No.	Description of Document
1.1	ICICI Bank Memorandum of Association, as amended (incorporated by reference to ICICI Bank's Annual Report on Form 20-F for the year ended March 31, 2004 filed on September 29, 2004).
1.2	ICICI Bank Articles of Association, as amended (incorporated by reference to ICICI Bank's Annual Report on Form 20-F for the year ended March 31, 2005 filed on September 30, 2005).
2.1	Deposit Agreement among ICICI Bank, Deutsche Bank and the holders from time to time of American Depositary Receipts issued thereunder (including as an exhibit, the form of American Depositary Receipt) (incorporated herein by reference to ICICI Bank's Registration Statement on Form F-1 (File No. 333-30132)).

2.2 Letter Agreements dated February 19, 2002 and April 1, 2002 (incorporated herein by reference to ICICI Bank's Annual Report on Form 20-F for the year ended March 31, 2002 filed on September 30, 2002) and Letter Agreement dated March 8, 2005 (incorporated by reference to ICICI Bank's Registration Statement on Form F-3 (File No. 333-121664) amending and supplementing the Deposit Agreement.

2.3 ICICI Bank's Specimen Certificate for Equity Shares (incorporated herein by reference to ICICI Bank's Registration Statement on Form F-1 (File No. 333-30132)).

4.1 ICICI Bank's Employee Stock Option Plan, as amended (incorporated by reference to ICICI Bank's Annual Report on Form 20-F for the year ended March 31, 2004 filed on September 29, 2004).

8.1 List of Subsidiaries (included under "Business - Subsidiaries and Joint Ventures" herein).

11.1 Code of Business Conduct and Ethics (incorporated by reference to ICICI Bank's Annual Report on Form 20-F for the year ended March 31, 2004 filed on September 29, 2004).

12.1 Certification of the Managing Director & Chief Executive Officer of the Company pursuant to Section 302 of the Sarbanes-Oxley Act.

12.2 Certification of the Chief Financial Officer & Treasurer of the Company pursuant to Section 302 of the Sarbanes-Oxley Act.

13 Certification of periodic financial report pursuant to 18 USC. Section 1350, as mandated by Section 906 of the Sarbanes-Oxley Act.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

For ICICI BANK LIMITED

By : /s/ Jyotin Mehta

Name : Mr. Jyotin Mehta
Title: General Manager and Company Secretary

Place : Mumbai
Date : September 28, 2006