NON-CONSOLIDATED FINANCIAL STATEMENTS OF ICICI BANK CANADA

4TH ANNUAL REPORT AND ACCOUNTS 2007

Directors
K. V. Kamath, *Chairman*
Chanda D. Kochhar, *Vice-Chairperson*
Madan Bhayana
Robert G. Long
John Thompson
David P. Smith
Sonjoy Chatterjee
Hari K. Panday, *President & CEO*

Auditors
KPMG LLP

Atul Chandra
Corporate Secretary

Registered Office
Exchange Tower
130 King Street West
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management's report

to the members

The Management of ICICI Bank Canada (the "Subsidiary") is pleased to present their fourth annual report and accounts 2007, together with the financial statements and auditors' report for the year ended December 31, 2007. All information provided in this Management Report is as at December 31, 2007.

Principal Activities

The Subsidiary, a wholly-owned subsidiary of ICICI Bank Limited (the "Parent"), is a full service direct bank with an asset base of about C$3 billion, as at December 31, 2007, offering a comprehensive suite of personal, commercial and cross-border banking products and services. The Subsidiary is supported by a state-of-the-art electronic banking platform (icicibank.ca), a 24-hour toll-free customer contact centre and proprietary ABMs. It has established its branch network in the Greater Toronto Area (Brampton, Downtown Toronto, Gerrard Street East, Mississauga and Scarborough) and in the Greater Vancouver Regional District (Downtown Vancouver and Surrey).

The Subsidiary is regulated by the Ministry of Finance (Canada), and operates under the supervision of the Office of the Superintendent of Financial Institutions. It is also a member of the Canada Deposit Insurance Corporation.

Directors and Corporate Secretary

The names of the Directors and the Corporate Secretary of the Subsidiary as of December 31, 2007 are as follows:

K. V. Kamath, *Chairman*
Chanda D. Kochhar, *Vice-Chairperson*
Madan Bhayana
Robert G. Long
John Thompson
David P. Smith
Sonjoy Chatterjee
Hari K. Panday, *President & CEO*
Atul Chandra, *Corporate Secretary*

Directors' Interests

None of the Directors of the Subsidiary has any interest in its share capital.

Share Capital

The Subsidiary is authorized to issue an unlimited number of common shares without par value and an unlimited number of non-voting preferred shares without par value. As at December 31, 2007, the Subsidiary had issued 267 million common shares, 10 million Series A preferred shares, 509,280 Series B preferred shares and 600,000 Series C preferred shares to its Parent. The Series A preferred shares are not redeemable by the Subsidiary until ten years from their issuance date and bear a fixed non-cumulative cash dividend of 1% per annum. The Series B preferred shares and Series C preferred shares are not redeemable by the Subsidiary until five years from their issuance date and bear a fixed non-cumulative cash dividend of 7% per annum. No cash dividends have been paid on these preferred shares.

ATUL CHANDRA
Corporate Secretary

auditors' report

to the shareholder

We have audited the non-consolidated balance sheet of ICICI Bank Canada (the "Bank") as at December 31, 2007 and the non-consolidated statements of operations and comprehensive income, changes in shareholder's equity and cash flows for the year then ended. These financial statements have been prepared for the purpose of complying with the regulations of the Indian Companies Act, Section 212, sub-section (1). These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance 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.

In our opinion, these non-consolidated financial statements present fairly, in all material respects, the financial position of the Bank as at Decemeber 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with the accounting policies as set out in the notes to the financial statements.

These non-consolidated financial statements have been prepared solely for the information and use of ICICI Bank Limited, the Parent Bank, to comply with the regulations of the Indians Companies Act, Section 212, sub-section (1) which requires the preparation of non-consolidated financial statements. Accordingly, since these are non-consolidated financial statements, they are not in accordance with Canadian generally accepted accounting policies. These non-consolidated financial statements are not intended to be and should not be used by anyony other than the specified users or for any other purpose.

For KPMG LLP
Chartered Accountants
Licensed Public Accountants

Toronto, Canada
March 7, 2008

non-consolidated balance sheet

as at December 31, 2007

	2007	2006
		(Rs. in 000's)
ASSETS		
Cash (note 1)	**198,882**	*4,587*
Deposits with regulated financial institutions:		
Interest-bearing	**1,299,751**	—
Non-interest bearing	**368,271**	*352,056*
	1,866,904	*356,643*
Securities (note 2):		
Investment account	**2,791,826**	*2,709,747*
Trading account	**28,287,097**	*23,708,152*
Available-for-sale	**901,505**	—
	31,980,428	*26,417,899*
Loans, net of allowance for credit losses (note 3):		
Commercial and corporate loans and commercial mortgages	**34,302,550**	*19,828,170*
Residential mortgages	**41,517,813**	*23,618,227*
Personal	**222,137**	*178,683*
	76,042,500	*43,625,080*
Other:		
Fixed assets, net (note 4)	**97,932**	*115,676*
Other assets (note 5)	**5,216,226**	*395,992*
	5,314,158	*511,668*
	115,203,990	*70,911,290*
LIABILITIES AND SHAREHOLDER'S EQUITY		
Liabilities:		
Deposits (note 6):		
Personal	**98,186,677**	*62,641,268*
Commercial	**2,635,755**	*2,414,422*
Interbank	**445,160**	*286,111*
	101,267,592	*65,341,801*
Other:		
Accounts payable and other liabilities (note 7)	**1,061,037**	*1,264,143*
Subordinated note (note 8)	**1,005,875**	—
	2,066,912	*1,264,143*
Shareholder's equity:		
Share capital (note 9):		
Preferred shares	**1,518,147**	*402,350*
Common shares	**10,742,745**	*4,506,320*
Deficit	**(391,647)**	*(603,324)*
Accumulated other comprehensive income	**241**	—
	11,869,486	*4,305,346*
	115,203,990	*70,911,290*

See accompanying notes to non-consolidated financial statements.

On behalf of the Board:

Director   Director

non-consolidated statement of operations and comprehensive income

for the year ended December 31, 2007

	2007	2006
		(Rs. in 000's)
Interest income:		
Loans	**3,451,238**	*1,811,782*
Securities	**1,480,085**	*720,247*
Deposits with regulated financial institutions	**28,486**	*12,553*
	4,959,809	*2,544,582*
Interest expense:		
Deposits	**3,619,219**	*1,821,760*
Subordinated note (note 8)	**72,946**	-
Short-term borrowings (note 10)	**805**	*9,858*
	3,692,970	*1,831,618*
Net interest income	**1,266,839**	*712,964*
Non-interest income (note 11)	**66,227**	*204,877*
	1,333,066	*917,841*
Provision for credit losses (note 3)	**139,656**	*190,392*
	1,193,410	*727,449*
Non-interest expenses:		
Salaries and benefits	**362,236**	*295,969*
Capital and other taxes	**145,409**	*22,813*
Marketing and business development	**109,640**	*56,933*
General and administrative	**83,810**	*74,234*
Call center and outsourcing	**79,062**	*64,617*
Professional fees	**58,904**	*33,476*
Occupancy costs	**59,789**	*59,588*
Depreciation	**40,356**	*49,932*
Communication	**30,941**	*18,265*
Data processing fees	**31,826**	*40,637*
Travel, moving and entertainment	**26,032**	*25,107*
	1,028,005	*741,571*
Income (loss) before income taxes	**165,405**	*(14,122)*
Future income taxes (recovery) (note 12):	**49,891**	*(241)*
Net income (loss)	**115,514**	*(13,881)*
Other comprehensive loss, net of income taxes:		
Change in unrealized gain on available-for-sale securities, net of income taxes of Rs. 8,127	**(16,335)**	—
Comprehensive income (loss) for the year	**99,179**	*(13,881)*

See accompanying notes to non-consolidated financial statements.

ICICI Bank

non-consolidated statement of changes in shareholder's equity

as at December 31, 2007

(Rs. in 000's)

	2007	2006
Common shares (note 9):		
Balance, beginning of year	**4,506,320**	*2,554,923*
Issued during the year	**6,236,425**	*1,951,397*
Balance, end of year	**10,742,745**	*4,506,320*
Preferred shares (note 9):		
Balance, beginning of year	**402,350**	*402,350*
Issued during the year	**1,115,797**	—
Balance, end of year	**1,518,147**	*402,350*
Deficit:		
Balance, beginning of year, as previously reported	**(603,324)**	*(589,443)*
Transitional adjustment on adoption of new accounting policies (preamble and note 2)	**96,162**	—
Net income (loss)	**115,515**	*(13,881)*
Balance, end of year	**(391,647)**	*(603,324)*
Accumulated other comprehensive income, net of income taxes:		
Balance, beginning of year	**—**	—
Cumulative effect of adopting new accounting policies (preamble)	**16,577**	—
Other comprehensive loss	**(16,336)**	—
Balance, end of year	**241**	—
Total shareholder's equity	**11,869,486**	*4,305,346*

See accompanying notes to non-consolidated financial statements.

non-consolidated statement of cash flows

for the year ended December 31, 2007

(Rs. in 000's)

	2007	2006
Cash provided by (used in):		
Operating activities:		
Net income (loss)	**115,514**	*(13,881)*
Items not involving cash:		
Provision for credit losses	**139,656**	*190,392*
Depreciation	**40,356**	*49,932*
Future income taxes	**49,891**	*(241)*
Amortization of deposit broker commissions	**145,851**	*81,033*
Interest accrued on subordinated note	**13,278**	—
Net change in derivative financial instruments	**(3,228,537)**	*951,678*
Change in non-cash operating items:		
Other items, net	**(1,107,789)**	*389,193*
	(3,831,780)	*1,648,106*
Financing activities:		
Deposits, net	**35,925,791**	*37,889,581*
Proceeds from subordinated note	**1,005,875**	—
Proceeds from issue of preferred shares	**1,115,797**	—
Proceeds from issue of common shares	**6,236,425**	*1,951,398*
	44,283,888	*39,840,979*
Investing activities:		
Net redemption of interest-bearing deposits	**—**	*235,817*
Purchase of trading securities	**(231,934,658)**	*(42,180,684)*
Proceeds from sale of trading securities	**225,571,009**	*23,889,974*
Loans, net	**(32,555,024)**	*(23,491,929)*
Purchase of shares in ICICI Bank, UK	**—**	*(4,587)*
Purchase of fixed assets	**(23,174)**	*(7,725)*
	(38,941,847)	*(41,559,134)*
Increase (decrease) in cash and cash equivalents	**1,510,261**	*(70,049)*
Cash and cash equivalents, beginning of year	**356,643**	*426,692*
Cash and cash equivalents, end of year	**1,866,904**	*356,643*
Represented by:		
Cash	**198,882**	*4,587*
Interest-bearing deposits with regulated financial institutions	**1,299,751**	—
Non-interest bearing deposits with regulated financial institutions	**368,271**	*352,056*
	1,866,904	*356,643*
Supplemental cash flow information:		
Interest paid	**1,622,235**	*921,703*
Income taxes paid	**71,618**	*22,813*

See accompanying notes to non-consolidated financial statements.

(In thousands of Indian Rupees)

forming part of financial statements

ICICI Bank Canada (the "Bank") is a wholly owned subsidiary of ICICI Bank Limited (the "Parent"). The Office of the Superintendent of Financial Institutions Canada ("OSFI") granted the Bank its Letters Patent of Incorporation on September 12, 2003, and an Order to Commence and Carry on Business on November 25, 2003. The Bank launched its operations on December 19, 2003.

These non consolidated financial statements have been prepared to comply with the regulations of the Indian Companies Act, Section 212, Sub-section (1)

The significant accounting policies used in the preparation of these financial statements, are summarized below. The bases of accounting used in non-consolidated statements differ from Canadian generally accepted accounting principles ("GAAP") as follows:

(a) The Bank accounts for its investment in subsidiary ICICI Wealth Management Inc., using the equity method. Under Canadian GAAP this investment would be consolidated.

(b) Significant accounting changes:

On January 1, 2007, the Bank adopted two new accounting standards that were issued by The Canadian Institute of Chartered Accountants: Handbook Section 1530, Comprehensive Income, and Handbook Section 3855, Financial Instruments - Recognition and Measurement.

Section 1530 introduces comprehensive income, which consists of net income and other comprehensive income ("OCI"). OCI represents changes in shareholder's equity during a period arising from transactions and other events with non-owner sources and includes unrealized foreign currency translation gains and losses on self-sustaining foreign operations. The cumulative changes in OCI are included in non-consolidated accumulated other comprehensive income ("AOCI"), which is presented as a new category of shareholder's equity on the non-consolidated balance sheet.

Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. It requires that financial assets and financial liabilities, including derivatives, be recognized on the non-consolidated balance sheet when the Bank becomes a party to the contractual provisions of the financial instrument. Under this standard, all financial instruments are required to be measured at fair value on initial recognition, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held for trading, available for sale, held to maturity, loans and receivables, or other financial liabilities.

Financial assets and liabilities held for trading are measured at fair value with changes in those fair values recognized in non-interest income. Financial assets held to maturity are measured at amortized cost using the effective interest rate method of amortization. Available-for-sale financial assets are measured at fair value with changes in those fair values recognized in OCI.

Section 3855 also provides an entity the option to designate a financial instrument as held for trading on its initial recognition or upon adoption of the standard, even if the financial instrument, other than loans and receivables, was not originally acquired for the purpose of selling or repurchasing it in the near term. The Bank elected to classify as held-for-trading its investments of Rs.12,745,643 as at December 31, 2006, in credit-linked notes and collateralized debt obligations upon adoption of the accounting standard.

Other significant accounting implications arising upon the adoption of Section 3855 include the use of the effective interest rate method of amortization for all transaction costs or fees, premiums or discounts earned or incurred for financial instruments measured at amortized costs. This accounting is consistent with the practices used by the Bank in 2006.

As at January 1, 2007, the transition adjustments attributable to the re-measurement of financial assets and financial liabilities at fair value, other than financial assets classified as available for sale, were Rs.96,162 and were recognized in opening retained earnings and the transition adjustments attributable to the re-measurement of financial assets classified as available for sale at fair value were Rs.16,577 and were recognized in opening AOCI.

(c) Future accounting changes:

The following summarizes future accounting changes that will be relevant to the Bank's consolidated financial statements subsequent to December 31, 2007:

(i) Capital disclosures:

Effective January 1, 2008, the Bank will be required to disclose its objectives, policies and processes for managing capital, quantitative data about what is considered capital and whether it has complied with any capital requirements and the consequences of non-compliance with such capital requirements.

(ii) Financial instruments - Disclosure and presentation:

Two new accounting standards on financial instruments revise and enhance the current disclosure requirements but do not change the existing presentation requirements for financial instruments. These new disclosures will be effective January 1, 2008, and will provide additional information on the nature and extent of risks arising from financial instruments to which the Bank is exposed, and how it manages those risks.

1. Cash and cash equivalents:

The Bank considers cash and cash equivalents to represent cash balances on hand, interest bearing and non-interest bearing deposits with regulated financial institutions with an original maturity of 90 days or less.

2. Securities:

Securities are classified, based on management's intentions, as either investment account securities, trading account securities or available-for-sale securities.

Investment account securities comprise securities with fixed or determinable payments that management has the intention and ability to hold to maturity. They are initially recognized at fair value plus incremental costs directly attributable to the acquisition of the security. Debt securities are subsequently carried at amortized cost, using the effective interest method and equity securities are carried at cost. When a security's book value exceeds fair value, a write-down in book value will occur if it has been determined that there has been an other-than-temporary impairment.

The composition and maturity profile of investment account securities are as follows:

	2007			
	Under 1 year Rs.	**1 to 5 years Rs.**	**Over 5 years Rs.**	**Total securities Rs.**
Asset backed securities	**–**	**434,699**	**697,514**	**1,132,213**
Corporate bonds	**484,027**	**1,175,586**	**–**	**1,659,613**
	484,027	**1,610,285**	**697,514**	**2,791,826**

	2006			
	Under 1 year Rs.	*1 to 5 years Rs.*	*Over 5 years Rs.*	*Total securities Rs.*
Asset backed securities	*–*	*442,062*	*732,076*	*1,174,138*
Corporate bonds	*–*	*1,535,609*	*–*	*1,535,609*
	–	*1,977,671*	*732,076*	*2,709,747*

Available-for-sale and trading account securities are recorded at fair value. The fair value of securities are based on quoted market prices where available; otherwise, the fair values are estimated using quoted market values for similar securities or other third party evidence, as available.

Trading account securities, comprised of securities purchased for resale in the near term, are recognized initially at fair value and transaction costs are recognized in the non-consolidated statement of operations when incurred. Gains and losses arising from changes in fair value are recognized in the statement of operations. Interest is recorded on an accrual basis.

The composition and maturity profile of trading account securities are as follows:

	2007			
	Under 1 year Rs.	**1 to 5 years Rs.**	**Over 5 years Rs.**	**Total securities Rs.**
Credit-linked notes	**–**	**4,601,596**	**–**	**4,601,596**
Collateralized debt obligations	**–**	**2,522,012**	**–**	**2,522,012**
Corporate bonds	**1,109,480**	**1,723,828**	**–**	**2,833,308**
Government bonds and treasury bills	**8,677,403**	**–**	**–**	**8,677,403**
Commercial papers	**3,012,555**	**–**	**–**	**3,012,555**
Banker's acceptances	**6,640,223**	**–**	**–**	**6,640,223**
	19,439,661	**8,847,436**	**-**	**28,287,097**

	2006			
	Under 1 year Rs.	*1 to 5 years Rs.*	*Over 5 years Rs.*	*Total securities Rs.*
Credit-linked notes	*–*	*8,645,616*	*716,666*	*9,362,282*
Collateralized debt obligations	*–*	*939,809*	*2,443,552*	*3,383,361*
Corporate bonds	*142,391*	*1,560,716*	*–*	*1,703,107*
Government bonds and treasury bills	*7,177,200*	*598,013*	*–*	*7,775,213*
Commercial papers	*1,484,189*	*–*	*–*	*1,484,189*
	8,803,780	*11,754,154*	*3,160,218*	*23,708,152*

As at December 31, 2007, securities held included those denominated in U.S. dollars. These securities comprised credit-linked notes, collateralized debt obligations, corporate bonds and commercial papers of Rs. 4,601,596, Rs. 2,522,012, Rs.1,112,981 and Rs. 1,450,472, respectively, denominated in U.S. dollars (US$ 113,373, US$ 62,137, US$ 27,904 and US$ 35,736, respectively).

(In thousands of Indian Rupees)

As at December 31, 2007, the Bank held asset-backed commercial papers ("ABCP") with a carrying value, after adjustment, of Rs. 3,012,555. The Bank adjusted the carrying value of these ABCP due to impairment in the value of some of the underlying assets, the significant reduction in liquidity of the non-bank commercial papers and uncertain nature of the terms and conditions of the restructuring proposals of the ABCP trusts. A charge of Rs. 398,206 in the non-consolidated financial statements represents the Bank's best estimate of impairment within a reasonable range of possible write-downs.

The deterioration in global credit markets, prolonged illiquidity, the limited information available concerning the value of the underlying assets, increased market volatility and a significantly weaker U.S. housing market all contributed to the turmoil in the Canadian ABCP market.

Determining the fair value of these ABCP is complex and involves several assumptions. The Bank's valuation was based on its assessment of then-prevailing conditions, which may change in subsequent periods. Possible changes that could have a material effect on the future value of these ABCP include changes in the value of the underlying assets, developments related to the liquidity of the ABCP market, the outcome of the restructuring of the trusts and changes in economic conditions.

During the year ended December 31, 2007, losses realized from the sale of fixed income securities were Rs. 6,156, losses realized from the sale of government guaranteed securities were Rs. 8,972, and an unrealized loss of Rs. 801,119 was recognized directly in non-interest income with respect to changes in fair value of other trading account securities.

Interest income on trading securities is determined in accordance with the effective interest method and recognized in the non-consolidated statement of operations.

Available-for-sale securities are recognized initially at fair value and transaction costs are added to the initial carrying value of the securities. Available-for-sale securities are subsequently carried at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income until sale when the cumulative gain or loss is transferred to the non-consolidated statement of operations. As at December 31, 2007, the amortized cost of available-for-sale securities exceeded their fair value by Rs. 5,794, and these securities have been in an unrealized loss position continuously for a year. This unrealized loss arose primarily from the turbulence in the global credit markets. Since the Bank has the ability and intent to hold these securities until there is a recovery of fair value, which may be at maturity for debt securities, this unrealized loss is considered temporary in nature. Interest income determined in accordance with the effective interest method and other-than-temporary impairment losses are recognized in the non-consolidated statement of operations.

The composition and maturity profile of available-for-sale securities are as follows:

	2007			
	Under 1 year Rs.	**1 to 5 years Rs.**	**Over 5 years Rs.**	**Total securities Rs.**
Corporate bonds	**502,858**	**398,648**	**—**	**901,506**

The fair market value of the available-for-sale securities for 2007 is shown in the following table. In 2006, these corporate bonds were held in the investment book. At December 31, 2006, these bonds had an unrealized gain of Rs. 25,509 and a fair market value of Rs. 930,796. The transition adjustment of Rs. 16,577, net of income taxes of Rs. 8,932, was recognized in accumulated other comprehensive income.

	2007			
	Amortized cost Rs.	**Gross Unrealized gains Rs.**	**Gross Unrealized gains Rs.**	**Fair value Rs.**
Corporate bonds	**907,299**	**—**	**(5,794)**	**901,505**
Total available-for-sale securities	**907,299**	**—**	**(5,794)**	**901,505**

During the year ended December 31, 2007, a loss of Rs. 16,336, net of income taxes, was recognized directly in other comprehensive income with respect to the changes in fair value of available-for-sale securities.

3. Loans:

Loans are initially recognized at fair value with incremental transaction costs included in the initial carrying value of the loan. Loans are subsequently carried at amortized cost using the effective interest method, net of allowance for credit losses. Loan fees received from commercial clients for term loans, demand loans, mortgages and operating lines of credit are deferred and recognized over the term of a loan. Upon approval of a credit facility, fee income is amortized over the term of the loan, except for demand loans, for which fee income is amortized over a 12-month period. Non-refundable loan fees received from commercial clients are booked directly to other income if the credit facility is not approved.

Loans are classified as impaired when there is no longer reasonable assurance of the timely collection of the full amount of principal or interest. For impaired loans, interest accrual is discontinued. 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 occurred but have not yet been identified. This allowance relates primarily to loans, but also to other credit instruments such as letters of credit, and is either specific or general. During the year ended December 31, 2007, there were no write-offs of loan balances. The following loans were impaired at the consolidated balance sheet date and specific provisions were created against these loans. No further interest is accrued on these loans.

	2007		2006	
	Gross loans Rs.	**Specific allowance Rs.**	**Gross loans Rs.**	**Specific allowance Rs.**
Personal loans	**1,609**	(1,609)	*1,730*	*(1,730)*
Personal lines of credit	**3,179**	**(3,179)**	*1,489*	*(1,489)*
Commercial loans and mortgages	**12,071**	**(12,071)**	*6,518*	*(6,518)*
Commercial lines of credit	**207,371**	**(207,371)**	*196,266*	*(167,176)*
	224,230	**(224,230)**	*206,003*	*(176,913)*

For loans not covered by a specific provision, a general provision is established against the loan portfolio where prudent assessment by the Bank of past experience and existing economic and portfolio conditions indicate that it is probable that losses have occurred, but where such losses cannot be determined on an individual basis. The composition of the loan portfolio is as follows:

	2007				
	Gross amount Rs.	**General allowance Rs.**	**Specific allowance Rs.**	**Deferred Loan fees Rs.**	**Net amount Rs.**
Commercial loans and commercial mortgages	**10,748,619**	**(42,528)**	**(219,442)**	**(12,594)**	**10,474,055**
Corporate loans	**24,032,164**	**(111,250)**	**—**	**(92,419)**	**23,828,495**
Conventional residential mortgages	**580,592**	**(2,334)**	**—**	**—**	**578,258**
Insured residential mortgages	**40,939,555**	**—**	**—**	**—**	**40,939,555**
Personal	**227,166**	**(241)**	**(4,788)**	**—**	**222,137**
	76,528,096	**(156,353)**	**(224,230)**	**(105,013)**	**76,042,500**
Commercial (unfunded commitments)	**602,720**	**(12,191)**	**—**	**—**	**590,529**
Personal (unfunded commitments)	**14,967**	**(40)**	**—**	**—**	**14,927**
	617,687	**(12,231)**	**—**	**—**	**605,456**

	2006				
	Gross amount Rs.	*General allowance Rs.*	*Specific allowance Rs.*	*Deferred Loan fees Rs.*	*Net amount Rs.*
Commercial loans and commercial mortgages	*9,771,955*	*(37,781)*	*(173,694)*	*(43,575)*	*9,516,905*
Corporate loans	*10,417,687*	*(25,670)*	*—*	*(80,752)*	*10,311,265*
Conventional residential mortgages	*746,882*	*(2,132)*	*—*	*—*	*744,750*
Insured residential mortgages	*22,873,477*	*—*	*—*	*—*	*22,873,477*
Personal	*182,385*	*(483)*	*(3,219)*	*—*	*178,683*
	43,992,386	*(66,066)*	*(176,913)*	*(124,327)*	*43,625,080*
Commercial (unfunded commitments)	*232,599*	*(10,542)*	*—*	*—*	*222,057*
Personal (unfunded commitments)	*66,267*	*(161)*	*—*	*—*	*66,106*
	298,866	*(10,703)*	*—*	*—*	*Rs. 288,163*

Commitments for credit related arrangements include an unused portion of commercial and personal lines of credit, letters of credit facility to commercial clients, imports bills for collection and standby letters of guarantee.

As at December 31, 2007, the Bank held loans, net of allowances, denominated in U.S. dollars, British pounds and Euros of Rs. 20,052,520 (US$ 502,759), Rs. 4,216,226 (£53,320) and Rs. 1,015,089 (€17,451), respectively.

Following is a summary of the changes in the allowance for credit losses for the year ended December 31, 2007:

	2007			*2006*
	General Rs.	**Specific Rs.**	**Total Rs.**	*Total Rs.*
Balance, beginning of year	66,066	176,913	**242,979**	*61,358*
Provision for credit losses	90,287	47,317	**137,604**	*181,621*
Balance, end of year	156,353	224,230	**380,583**	*242,979*

The provision for credit losses within the non-consolidated statement of operations includes provisions for funded loans reflected in this table and also includes provisions for unfunded commitments of Rs.2,052 for the year ended December 31, 2007.

(In thousands of Indian Rupees)

An analysis of the Bank's loan portfolio, net of allowances for credit losses and deferred loan fees, by category and by location of ultimate risk, is as follows:

	2007 Rs.	2006 Rs.
Canada:		
Commercial loans and commercial mortgages	10,736,026	9,691,646
Corporate loans	757,826	–
Conventional residential mortgages	580,591	745,997
Insured residential mortgages	40,939,515	22,844,990
Personal	227,167	182,305
	53,241,125	33,464,938
Allowance for credit losses	(269,333)	(217,309)
	52,971,792	33,247,629
India:		
Corporate loans	16,341,445	4,664,604
Allowance for credit losses	(78,418)	(11,507)
	16,263,027	4,653,097
Other:		
Corporate loans	6,840,513	5,738,517
Allowance for credit losses	(32,832)	(14,163)
	6,807,682	5,724,354
	76,042,500	43,625,080

4. Fixed assets:

Fixed assets are carried at cost less accumulated depreciation, which is provided by using the straight-line method over the estimated useful lives of the assets.

	2007 Useful life	2007 Cost Rs.	2007 Accumulated depreciation Rs.	2007 Net book value Rs.	2006 Net book value Rs.
Computer hardware and software	3 years	99,098	82,079	17,019	20,801
Furniture, fixtures and equipment	5 years	59,387	32,510	26,877	31,424
Leasehold improvements	Lease term	91,535	37,4999	54,036	63,451
		250,020	152,088	97,932	115,676

5. Other assets:

	2007 Rs.	2006 Rs.
Future income tax asset (note 12)	197,996	247,888
Prepaid expenses, deposits and accounts receivable	436,268	62,002
Fair value of derivative financial instruments	2,671,725	60,876
Other	1,910,237	25,226
	5,216,226	395,992

6. Deposits:

Deposits are initially recorded at fair value with incremental transaction costs added to the initial carrying value. Deposits are subsequently measured at amortized cost using the effective interest method. Deposit balances for current, savings and term deposits are shown below:

2007	Payable on Demand: Interest Bearing Rs.	Payable on Demand: Non-interest bearing Rs.	Payable after notice Rs.	Payable on a fixed date Rs.	Total Rs.
Personal	370,403	—	1,969,302	5,494,049	7,833,754
Commercial	1,094,634	—	1,011,307	452,724	2,558,664
Broker:			—	—	—
Personal	—	—	14,822,775	75,530,148	90,352,923
Commercial	—	—	—	77,090	77,090
Interbank	—	167,217	—	—	167,217
Interbank - Parent (note10)	—	277,943	—	—	277,943
	1,465,037	445,160	17,803,384	81,554,011	101,267,592

2006	Payable on Demand: Interest Bearing Rs.	Payable on Demand: Non-interest bearing Rs.	Payable after notice Rs.	Payable on a fixed date Rs.	Total Rs.
Personal	144,363	—	8,573,274	8,535,694	17,253,331
Commercial	201,618	—	201,255	198,359	601,232
Broker:					
Personal	—	—	413,777	44,974,160	45,387,937
Commercial	—	—	56,772	1,756,418	1,813,190
Interbank	—	77,171	—	—	77,171
Interbank - Parent (note10)	—	208,940	—	—	208,940
	345,981	286,111	9,245,078	55,464,631	65,341,801

The maturity profile of fixed term deposits is as follows:

	2007 Under 1 year Rs.	2007 1 to 5 years Rs.	2007 Total Rs.	2006 Total Rs.
Payable on a fixed date	35,160,401	46,393,610	81,554,011	55,464,631

The Bank sources certain deposit balances through the use of brokers. Upon the placement of a deposit with the Bank, the broker earns a commission, which the Bank amortizes over the life of the related deposit. As at December 31, 2007, the Bank had unamortized broker commissions on deposits of Rs. 330,651 (2006 - Rs. 244,267) included in the above balances.

7. Accounts payable and accrued liabilities:

	2007 Rs.	2006 Rs.
Accounts payable	67,313	109,359
Fair value of derivative financial instruments	327,915	945,603
Deferred income	26,636	87,431
Other	639,173	121,750
	1,061,037	1,264,143

8. Subordinated note:

The Bank issued a subordinated note to its affiliate, ICICI Bank UK Plc., in the amount of Rs. 1,005,875 on January 31, 2007. The note bears interest at the rate of LIBOR plus 2.5% per annum, payable quarterly in arrears, until April 2012, and at the rate of LIBOR plus 3.0% per annum thereafter, until maturity on April 30, 2017. The Bank incurred interest expense of Rs. 72,946 related to the note during the year.

9. Share capital:

The Bank is authorized to issue an unlimited number of common shares without par value and an unlimited number of non-voting preferred shares without par value.

	2007 Number of Shares	2007 Amount Rs.	2006 Number of shares	2006 Amount Rs.
Common shares	267,000	10,742,745	112,000	4,506,320
Preference shares:				
Series A	10,000	402,350	10,000	402,350
Series B	509	512,272	–	–
Series C	600	603,525	–	–
		1,518,147		402,350

The Bank has issued the common and preferred shares shown above for cash consideration to the Parent.

OSFI must approve any plan to redeem any of the Bank's preferred shares for cash. The Series A preferred shares are not redeemable at the option of the Bank prior to 10 years since their issuance and bear a fixed, non-cumulative cash dividend of 1% per annum. The Series B and Series C preferred shares are not redeemable at the option of the Bank prior to 5 years since their issuance and bear a fixed, non-cumulative cash dividend of 7% per annum. The redemption of these preferred shares would require the payment in cash of the value of the preferred shares together with declared and unpaid dividends up to the redemption date. The holders of these preferred shares are entitled to annual, non-cumulative preferential cash dividends, which have not been declared or paid to date. The Bank is prohibited from declaring dividends on its preferred or common shares when it would be, as a result of paying a dividend, in contravention of the capital adequacy, liquidity or any other regulatory directives issued under the Bank Act (Canada).

(In thousands of Indian Rupees)

10. Related party transactions:

The Parent held a non-interest bearing deposit of Rs.277,943 (2006 - Rs. 208,940) with the Bank as at December 31, 2007 (note 6). The Bank incurred interest expense of Rs. 805 (2006 - Rs. 9,858) related to short-term borrowings from the Parent during the year ended December 31, 2007. During the year, the Bank incurred interest expense on the subordinated note from ICICI Bank UK Plc. of Rs. 72,946 (note 8).

In addition to the deposit and borrowing activities, the Bank also transacts with the Parent for various services including legal, call center, information technology system development and maintenance, treasury middle office operations, internet banking development and maintenance and internal audit. For the year ended December 31, 2007, the Bank had incurred costs of Rs. 79,062 (2006 - Rs. 64,617) related to these services, of which Rs.4,345 remains payable at December 31, 2007. During 2006, the Bank began providing services to customers relating to non-resident Indian products and services of the Parent. During the year ended December 31, 2007, the Bank earned revenue of Rs. 7,041, of which Rs. 724 remains receivable at December 31, 2007. These transactions are in the normal course of operations and are measured at fair value, as agreed to by the parties.

11. Non-interest income:

	2007 Rs.	2006 Rs.
Mark-to-market loss on securities held for trading	(816,247)	–
Gain on derivative transactions	41,682	–
Commercial loan fees	137,443	54,439
Trade finance and remittance fees	38,143	22,169
Gain on sale of securities	226,282	2,576
Investment banking fees	484,792	–
Safety deposit box services and service charges	8,852	25,589
Foreign exchange, net	(146,415)	39,108
Gain on sale of mortgages	84,453	60,835
Other	7,242	161
	66,227	204,877

During the year, the Bank provided investment banking and advisory services. Investment banking fees are recognized into income upon completion of the contractual terms of service and when collection is assured.

The Bank enters into derivative contracts on behalf of clients and simultaneously enters into offsetting contracts with another counterparty to eliminate the risk of the contracts to the Bank. Gains from entering into these simultaneous offsetting contracts are recognized at the time of entering into the contracts.

12. Income taxes:

The Bank uses the asset and liability method of accounting for income taxes whereby income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for book purposes compared with their carrying amounts for income tax purposes. Accordingly, a future income tax asset or liability is determined for each temporary difference based on the tax rates that are expected to be in effect when the underlying items of income or expense are expected to be realized. Net future income taxes accumulated as a result of these temporary differences are included in other assets or other liabilities.

A valuation allowance is established to reduce the future income tax asset to an amount that is more likely than not to be realized. A future income tax asset of Rs. 197,996 has been recorded, net of a valuation allowance of Rs. 44,057 using the average enacted tax rate of 35.6%.

The Bank's income taxes for the year ended December 31, 2007 are summarized as follows:

	2007 Rs.	2006 Rs.
Future income taxes (recovery)	49,891	(241)

Significant components of the Bank's future income tax asset are as follows:

	2007 Rs.	2006 Rs.
Fixed assets	50,293	40,999
Deferred broker commission	(102,881)	(88,356)
Non-capital losses carried forward	239,760	286,192
Allowance for credit losses	87,270	68,762
Deferred gain on securities	(41,724)	(38,827)
Other deferred income	9,335	31,625
Future income tax asset	242,053	300,395
Less valuation allowance	44,057	52,507
Net future income tax asset	197,996	247,888

The following table reconciles income taxes (recovery) at the combined Canadian federal and provincial statutory rate with the recovery of income taxes in the non-consolidated financial statements:

	2007 Rs.	2006 Rs.
Income taxes at statutory tax rate	59,749	(5,070)
Permanent differences	1,408	724
Other	(11,266)	4,105
Future income taxes (recovery)	49,891	(241)

As at December 31, 2007, the Bank had non-capital loss carryforwards of Rs.785,629 (2006 - Rs.792,388) for income tax purposes. If not utilized, these losses will expire as follows:

	2007 Rs.	2006 Rs.
2010	—	764
2014	239,439	274,966
2015	513,801	516,658
2027	32,389	–
	785,629	792,388

The benefits associated with these loss carry forwards have been substantially recognized within the non-consolidated financial statements.

13. Foreign currency translation:

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars using the Bank of Canada exchange rates at the balance sheet date. Revenue and expense amounts denominated in foreign currencies are translated using average monthly exchange rates. Realized and unrealized gains and losses resulting from translation are included in the non-consolidated statement of operations and comprehensive income.

14. Fair values of financial instruments:

The fair values of securities in the investment account are based on quoted market prices where available; otherwise, fair values are estimated using quoted market values for similar securities or other third party evidence, as available. For credit derivatives, the Bank values the securities based on models using credit spreads from international counterparties.

The fair market value of investment account securities is shown below:

2007	Amortized cost Rs.	Fair value Rs.	Gross unrealized gain Rs.	Gross unrealized loss Rs.
Asset-backed securities	1,132,213	1,083,448	–	(48,765)
Corporate bonds	1,659,613	1,648,589	–	(11,024)
	2,791,826	2,732,037	–	(59,789)

2006	Amortized cost Rs.	Fair value Rs.	Gross unrealized gain Rs.	Gross unrealized loss Rs.
Asset-backed securities	1,174,138	1,148,508	–	(25,630)
Corporate bonds	1,535,609	1,559,509	24,825	(925)
	2,709,747	2,708,017	24,825	(26,555)

The estimated fair values of all variable rate loans, deposits and borrowings approximate their book values. The book values and fair values for fixed rate loans and deposits at December 31, 2007 are as follows:

2007	Book value Rs.	Fair value Rs.	Fair value over (under) Book Value Rs.
Fixed rate loans	45,783,205	45,668,737	(114,469)
Fixed rate deposits	79,912,665	80,112,432	199,767

2006	Book value Rs.	Fair value Rs.	Fair value over (under) Book Value Rs.
Fixed rate loans	29,367,285	28,341,896	(1,025,389)
Fixed rate deposits	54,524,500	50,592,897	(3,931,603)

(In thousands of Indian Rupees)

15. Derivative financial instruments:

In the ordinary course of business, the Bank uses derivative financial instruments, primarily over-the counter forward contracts and forward currency swaps, to manage its exposure to currency fluctuations, as part of the Bank's asset liability management program. The Bank economically hedges exposures on foreign currency denominated assets and liabilities by entering into offsetting foreign currency forward or swaps contracts. These derivatives are not designated for hedge accounting and are carried at fair value with changes in fair value being recorded in non-interest income.

The Bank economically hedges exposures on foreign currency denominated assets and liabilities by entering into offsetting foreign currency forward or swap contracts. The Bank also enters into offsetting interest rate swaps and option contracts as a service to clients to assist them in risk management. The Bank has no net exposure as a result of entering into these simultaneous contracts. At the balance sheet date, other assets and liabilities of Rs. 2,671,725 (2006 - Rs. 60,876) and Rs. 327,915 (2006 - Rs. 945,603), respectively, representing market valuations of derivative contracts were recognized. These derivatives are not designated for hedge accounting and are carried at fair value, with changes in fair value being recorded in non-interest income in the non-consolidated statement of operations.

Notional amounts of derivative contracts serve as reference for calculating payments and are a common measure of business volume. The following is a summary of the notional amounts, by remaining term to maturity, of the Bank's derivative positions, as at the balance sheet date:

	2007				2006
	Under 1 year Rs.	1 to 5 years Rs.	Over 5 years Rs.	Total Rs.	Total Rs.
Forward foreign exchange contracts	109,761	—	—	109,761	—
Foreign currency swaps	42,632,081	—	—	42,632,081	24,695,559
Interest rate swaps	—	6,521,208	3,230,669	9,751,877	—
Interest rate options	—	2,991,392	—	2,991,392	—
Credit default swap	—	638,127	—	638,127	—
	42,741,842	10,150,727	3,230,669	56,123,238	24,695,559

The following is a summary of the fair value of the Bank's derivative portfolio, as at the balance sheet date:

	2007			2006		
	Positive fair value Rs.	Negative fair value Rs.	Net fair value Rs.	Positive fair value Rs.	Negative fair value Rs.	Net fair value Rs.
Forward contracts	—	—	—	—	(7,041)	(7,041)
Foreign currency swaps	2,364,933	(32,510)	2,332,423	60,876	(938,562)	(877,686)
Interest rate swaps	298,141	(152,168)	145,973	—	—	—
Interest rate options	8,651	(3,340)	5,311	—	—	—
Credit default swap	—	(139,897)	(139,897)	—	—	—
	2,671,725	(327,915)	2,343,809	60,876	(945,603)	(884,727)

Current replacement cost is the positive fair value of outstanding derivative financial instruments, which represents the Bank's derivative credit exposure.

Credit equivalent amount is the current replacement cost for favourable contracts plus an amount for future credit exposure associated with the potential for future changes in currency rates for the contracts. Future credit exposure is calculated using a formula prescribed by OSFI.

Risk-weighted amount represents the credit equivalent amount weighted according to the credit worthiness of the counterparty, using factors prescribed by OSFI.

Substantially all of the Bank's counterparties to derivative instruments represent large Canadian financial institutions.

	2007			2006		
	Current replacement cost Rs.	Credit equivalent amount Rs.	Risk-weighted amount Rs.	Current replacement cost Rs.	Credit equivalent amount Rs.	Risk-weighted amount Rs.
Foreign currency swaps	2,364,933	2,791,263	1,395,672	60,876	1,561,480	780,760
Interest rate swaps	298,141	352,660	176,350	–	–	–
Interest rate options	8,651	38,505	19,232	–	–	–
	2,671,725	3,182,428	1,591,254	60,876	1,561,480	780,760

16. Contractual repricing and maturity schedule:

The table below shows the Bank's exposure to interest rate risk. Effective interest rates have been disclosed where applicable. The effective rates shown represent historical rates for fixed-rate instruments and current market rates for floating-rate instruments.

Carrying amount (earlier of contractual repricing or maturity date):

2007	Floating rate Rs.	Under 3 months Rs.	3 to 6 months Rs.	Over 6 to 12 months Rs.	Over 1 to 5 years Rs.	Over 5 years Rs.	Non-interest sensitive Rs.	Total Rs.
Assets								
Cash and deposits	—	1,668,022	—	—	—	—	198,882	1,866,904
Securities	—	15,946,297	—	4,448,623	10,887,994	697,514	—	31,980,428
Interest rate	—	4.19%	—	5.33%	5.59%	4.18%	—	
Loans, net	29,332,482	2,747,729	121,107	954,012	42,195,933	691,237	—	76,042,500
Interest rate	7.03%	4.48%	6.25%	6.49%	5.81%	5.91%	—	
Fixed assets, net	—	—	—	—	—	—	97,932	97,932
Other assets	—	—	—	—	—	—	5,216,226	5,216,226
	29,332,482	20,362,048	121,107	5,402,635	53,083,927	1,388,751	5,513,040	115,203,990
Liabilities and Shareholder's Equity								
Deposits	19,268,420	12,506,889	9,511,393	13,142,119	46,393,611	—	445,160	101,267,592
Interest rate	4.19%	4.25%	4.73%	4.69%	4.69%	—	—	
Accounts payable and accrued liabilities	—	—	—	—	—	—	1,061,037	1,061,037
Subordinated note	1,005,875	—	—	—	—	—	—	1,005,875
Interest rate	7.17%	—	—	—	—	—	—	
Shareholder's equity	—	—	—	—	—	—	11,869,486	11,869,486
	20,274,295	12,506,889	9,511,393	13,142,119	46,393,611	—	13,375,683	115,203,990
Total gap	9,058,187	7,855,159	(9,390,286)	(7,739,484)	6,690,316	1,388,751	(7,862,643)	—

(In thousands of Indian Rupees)

	2006							
	Floating rate Rs.	*Under 3 months Rs.*	*3 to 6 months Rs.*	*Over 6 to 12 months Rs.*	*Over 1 to 5 years Rs.*	*Over 5 years Rs.*	*Non-interest sensitive Rs.*	*Total Rs.*
Assets								
Cash and deposits	—	4,587	—	—	—	—	352,056	356,643
Securities	—	8,014,048	—	2,075,160	12,457,883	3,870,808	—	26,417,899
Interest rate	—	4.25%	—	6.53%	6.53%	6.53%	—	
Loans, net	14,198,167	2,340,712	63,772	325,300	25,963,605	733,524	—	43,625,080
Interest rate	6.57%	6.59%	4.50%	3.18%	4.59%	5.40%	—	
Fixed assets, net	—	—	—	—	—	—	115,676	115,676
Other assets	—	—	—	—	—	—	395,992	395,992
	14,198,167	10,359,347	63,772	2,400,460	38,421,488	4,604,332	863,724	70,911,290
Liabilities and Shareholder's Equity								
Deposits	9,429,273	9,469,508	6,288,368	9,960,939	29,907,601	—	286,111	65,341,801
Interest rate	2.91%	4.11%	4.32%	4.31%	4.22%	—	4.22%	
Accounts payable and accrued liabilities	—	—	—	—	—	—	1,264,143	1,264,143
Shareholder's equity	—	—	—	—	—	—	4,305,346	4,305,346
	9,429,273	9,469,508	6,288,368	9,960,939	29,907,601	—	5,855,601	70,911,290
Total gap	4,768,894	889,839	(6,224,596)	(7,560,479)	8,513,887	4,604,332	(4,991,877)	—

17. Lease commitments:

Future minimum annual rental commitments for premises and equipment under long-term non-cancellable operating leases for the next five years ended December 31 and thereafter, are shown below:

	Rs.
2008	68,319
2009	78,579
2010	72,262
2011	54,961
2012	48,805
Thereafter	234,407
	556,973

18. Employee future benefits:

Effective December 29, 2005, the Bank implemented a defined contribution group retirement savings plan for its employees. Under the plan, Bank employees are allowed to contribute a portion of their annual salary to the plan and the Bank matches such contributions up to 5% of the employee's annual salary. The amount of the benefit expense for the year ended December 31, 2007 was Rs. 4707 (2006 - Rs. 2495) and is included in salaries and benefits in the consolidated statement of operations.

19. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.