ICICI BANK EURASIA LLC

3RD ANNUAL REPORT AND ACCOUNTS 2007

Directors
Chanda D. Kochhar, *Chairperson*
Sonjoy Chatterjee
Suvek Nambiar
K. M. Jayarao
Niranjan Limaye
James Bernard Cook

Auditors
ZAO KPMG

Registered Office
3, 50 Let Oktyabrya Square
City of Balabanovo
Borovsk District
Kaluga Region 249000

directors' report

to the members

Your Directors have pleasure in presenting the Annual Report of ICICI Bank Eurasia LLC with the audited statement of accounts for the financial year ended December 31, 2007.

FINANCIAL HIGHLIGHTS

The financial performance for years ended December 31 is summarised below:

	Rs. in million, except percentages		
	2006	**2007**	**% change**
Net interest income and other income	*340*	**557**	64%
Operating expense	*(327)*	**(605)**	85%
Provisions & contingencies	*1*	**(39)**	-4474%
Profit before tax	*14*	**(87)**	-732%
Tax expenses	*(11)*	**13**	-219%
Consolidated profit after tax	*3*	**(74)**	-2913%

The balance sheet as at December 31 is summarised below:

	Rs. in million, except percentages		
	2006	**2007**	**% change**
CAPITAL AND LIABILITIES			
HO Control Account	*2,015*	**2,994**	49%
Reserves and Surplus	*(152)*	**(238)**	57%
Deposits	*397*	**829**	109%
Borrowings	*11,350*	**26,776**	136%
Other liabilities and provisions	*7*	**118**	1692%
TOTAL	**13,617**	**30,479**	**124%**
ASSETS			
Cash and balance with Reserve Bank of India	—	**—**	—
Balances with banks and money at call and short notice	*3,707*	**12,565**	239%
Investments	*4,672*	**5,669**	100%
Advances	*5,088*	**11,931**	134%
Fixed Assets	*51*	**87**	71%
Other Assets	*98*	**228**	132%
TOTAL	**13,617**	**30,479**	**124%**

ISSUANCE OF EQUITY CAPITAL

In November 2007, ICICI Bank Limited made an additional contribution to the registered equity capital of the ICICI Bank Eurasia LLC in amount of RUB 608,477,500.00.

SUBSIDIARY COMPANIES

At December 31, 2007, ICICI Bank Eurasia LLC had no subsidiaries.

DIRECTORS

Currently there are six Members of the Supervisory Board (Directors):

- Chanda D. Kochhar, Chairperson
- Sonjoy Chatterjee
- Suvek Nambiar
- K. M. Jayarao
- Niranjan Limaye
- James Bernard Cook

Chanda D. Kochhar was elected as member of the Supervisory Board on November 4, 2006 by the Resolution of the Sole Participant of ICICI Bank Eurasia LLC and was appointed as the Chairperson of the Supervisory Board of ICICI Bank Eurasia LLC on December 4, 2006 by the Resolution of the Sole Participant of ICICI Bank Eurasia LLC.

Sonjoy Chatterjee was elected as member of the Supervisory Board on November 4, 2006 by the Resolution of the Sole Participant of ICICI Bank Eurasia LLC.

Niranjan Limaye was elected as member of the Supervisory Board on December 4, 2006 by the Resolution of the Sole Participant of ICICI Bank Eurasia LLC.

K. M. Jayarao was elected as member of the Supervisory Board on August 9, 2007 by the general meeting of Participants of ICICI Bank Eurasia LLC.

James Bernard Cook was elected as member of the Supervisory Board on October 19, 2007 by the general meeting of Participants of ICICI Bank Eurasia LLC.

Suvek Nambiar was elected as member of the Supervisory Board on March 28, 2008 by the general meeting of Participants of ICICI Bank Eurasia LLC.

Sanjay Maheshka was relieved from the position of the member of the Supervisory Board of ICICI Bank Eurasia LLC on August 9, 2007 by the Resolution of the Sole Participant of ICICI Bank Eurasia LLC.

Kalpesh Kikani was elected as member of the Supervisory Board on August 9, 2007 and was relieved from his position of the member of the Supervisory Board of ICICI Bank Eurasia LLC on March 28, 2008 by the general meeting of Participants of ICICI Bank Eurasia LLC.

AUDITORS

ZAO KPMG has been appointed as auditor of ICICI Bank Eurasia LLC on for the financial year 2007 by a resolution of the Sole Participant pursuant recommendation of the Audit Committee of the Bank.

PERSONNEL

As of December 31, 2007 number of the Bank's employees was 178.

CORPORATE GOVERNANCE

ICICI Bank Eurasia is building a tradition of best practices in corporate governance. The corporate governance framework in ICICI Bank Eurasia LLC is based on an effective Supervisory Board, Executive Board and the constitution of the Committees of the Bank, to oversee critical areas.

SUPERVISORY BOARD

ICICI Bank Eurasia LLC has a Supervisory Board, constituted in compliance with the Law on Limited Liability Companies, Law on Banks and Banking activities and Regulations and Recommendations of the Bank of Russia. It is also based on the Compliance Framework of the Sole Participant.

The Supervisory Board's main function is to oversee management activities of the Bank. The Supervisory Board functions either as a full Board or through various committees constituted to oversee specific areas. The Board is supported by three committees, namely, Audit Committee, Governance Committee, Risk and Credit Committee.

At December 31, 2007, the Board of Directors consisted of 6 members. There were six meetings of the Supervisory Board during the period from April 1, 2007 till March 31, 2008 – April 5, 2007, April 25, 2007, July 19, 2007, October 18, 2007, December 28, 2007 and March 31, 2008. The names of the members of the Supervisory Board, their attendance at Board Meetings during the year and the number of other committee memberships held by them in the mentioned period are set out in the following table:

Name of Member	Board Meetings attended during the year	Number of other Supervisory Board's committee memberships
Chanda D. Kochhar (Chairperson)	6	2
Sonjoy Chatterjee	5	3
Niranjan Limaye	6	1
K. M. Jayarao	3	2
James Bernard Cook	1	2
Suvek Nambiar	1	1
Sanjay Maheshka (ex-member)	3	2
Kalpesh Kikani (ex-member)	2	1

It has been a standard practice for Directors to participate in the meetings of the Supervisory Board and Committees by teleconference.

EXECUTIVE BOARD

Executive Board of ICICI Bank Eurasia LLC: main function is day-to-day management of the Bank implementing policies adopted by the General Meeting of Participants (Sole Participant) and the Supervisory Board. As of March 31, 2008 it was supported in its activities by five committees constituted to oversee specific areas: Executive Credit Committee, Asset and Liability Management Committee, Product and Process Approval Committee and Branch Network Development Committee.

Currently the Executive Board consists of 2 members:

- Vladislav Aleksandrovich Voitsehovich
- Galina Georgievna Kazanikova

There were 42 meetings of the Executive Board during the period from April 1, 2007 till March 31, 2008.

Audit Committee (AC)

Terms of Reference

The Audit Committee provides direction to the audit and risk management function and monitors the quality of internal and statutory audit. The responsibilities of the Audit Committee include:

- Review internal and management reports
- Oversee financial reporting process to ensure fairness, sufficiency and credibility of financial statements
- Review financial statements before submission to the Supervisory Board
- Recommend the appointment and removal of auditors and fix their remuneration
- Review the adequacy of internal control systems and internal audit function
- Review CBR inspection and audit reports and reports of auditors
- Review quarterly reports of the Compliance Officer
- Review the scope of audit with external auditors and examine reasons for any substantial default to any stakeholder
- Review the monthly returns filed before CBR or any other regulatory authority

Composition

As of March 31, 2008 the Audit Committee comprises four Directors and is chaired by Chanda D. Kochhar. There were six meetings of the Committee during the period from April 1, 2007 till March 31, 2008. The details of the composition of the Committee and attendance at its Meetings are set out in the following table:

Name of Member	Number of meetings attended
Chanda D. Kochhar (Chairperson)	6
Sonjoy Chatterjee	6
K. M. Jayarao	2
James Bernard Cook	1
Sanjay Maheshka (ex-member)	3
Niranjan Limaye (ex-member)	4

Governance Committee (GC)

Terms of Reference

The functions of the Committee include:

- Review Senior Management appointments and nominations
- Review remuneration and compensation, including the Bank's performance bonus plan
- Approve corporate philosophy and mission
- Ensure ethical behaviour and compliance with laws and regulations

Composition

The Governance Committee comprises two members and is chaired by Chanda D. Kochhar. There were two meetings of the Committee during the period from April 1, 2007 till March 31, 2008. The details of the composition of the Committee and attendance at its Meetings are set out in the following table:

Name of Member	Number of meetings attended
Chanda D. Kochhar (Chairperson)	2
Sonjoy Chatterjee	2

RISK AND CREDIT COMMITTEE (RCC)

Terms of reference

The functions of the Committee include:

- Approve all new credit proposals in excess of USD 4 million to a single borrower or borrower group
- Review and approve Bank's Credit policy
- Approve all credit proposals not compliant with the bank's standard lending criteria as defined in the bank's internal credit policy
- Approve all new product proposals and their related limits
- Approve the formats for programme lending and delegate authority under these programmes
- Approve facility reviews where the aggregate group exposure exceeds USD 4 million
- Approve all credit proposals generally above the prescribed authority of the Executive Credit Committee
- Review the quarterly portfolio analyses prepared by the Head of Risk
- Approve any borrowings other than temporary loans taken in the ordinary course of business in accordance with Treasury policy dealing limits (acceptance of deposits of money shall not be deemed to be borrowings)
- Review and approve Bank's investment policy and associated limits
- Monitor Bank's market risk exposures through a suitable reporting package encompassing interest rate risk, exchange rate risk, liquidity risk and equity risk.
- Review of operations of the Executive credit committee

Composition

The Risk and Credit Committee comprises five Members Directors. It is chaired by Sonjoy Chatterjee. There were 22 meetings of the Committee during the mentioned period. The details of the composition of the Committee and attendance at its Meetings are as follows:

Name of Member	Number of meetings attended
Sonjoy Chatterjee (Chairperson)	22
K. M. Jayarao	10
James Bernard Cook	6
Suvek Nambiar	0
Niranjan Limaye	22
Chanda D. Kochhar (ex-chairperson)	12
Kalpesh Kikani (ex-member)	8
Sanjay Maheshka (ex-member)	7

Executive Credit Committee (ECC)

Terms of reference

The Committee reviews and sanctions credit proposals within the framework of the policy for the amount up to USD 4 million.

Composition

The Executive Credit Committee comprises six members, namely –

1. President and CEO (Chairman). The position of President and CEO of ICICI Bank Eurasia LLC was held by Niranjan Limaye who was released from it from April 16, 2008 by the decision of the Supervisory Board of ICICI Bank Eurasia LLC from April 30, 2008. Vladislav Alexandrovich Voitsekhovich was approved to the position of the President and CEO of ICICI Bank Eurasia LLC on April 16, 2008 subject to the approval of the Chief Division of the Central Bank of Russian Federation for Kaluga Region.
2. Head of Credit, Market and Operational Risks Division – Karen Edonts.
3. Head of Retail Business Group – Lakshmipathi C.
4. Deputy Chief Executive Officer in charge of Corporate Banking Division – vacancy.

There have been 50 meetings of the Executive Credit Committee during the reporting period from April 1, 2007 till March 31, 2008.

Asset and Liability Management Committee (ALMC)

Terms of reference

- Implementation of risk mitigation measures
- New products (for investment purposes)
- Delegation of authority to functional authorities
- Empanelment of brokers
- Adherence to extant CBR guidelines on accounting, classification and valuation of investment portfolio
- Adherence to Internal Control guidelines and limits
- Investment transactions activity
- Business transacted through the brokers
- Maintenance of liquidity requirements
- Any other matter incidental to investment and treasury operations

In addition to the above, to determine and delegate to the Asset Liability Management Committee regulation of the asset liability management policy of the Bank and market risk management and for this purpose to authorise the Asset Liability Management Committee to:

- Put in place an effective liquidity management policy in conjunction with the Liquidity Policy statement approved by the CBR, including, *inter-alia*, the funding strategies, liquidity planning under alternative stress scenarios, prudential limits and review the same periodically
- Decide the deposit rates and the lending rates
- Monitor market risk limits including limits on liquidity and interest rate on the balance sheet
- Approve the system for liquidity management
- Consider and approve any other matters related to liquidity and interest risk management

Composition

The ALM Committee comprises of the following members: President and CEO (Chairman) (The position of President and CEO of ICICI Bank Eurasia LLC was held by Niranjan Limaye who was released from it from April 16, 2008 by the decision of the Supervisory Board of ICICI Bank Eurasia LLC from April 30, 2008. Vladislav Alexandrovich Voitsekhovich was approved to the position of the President and CEO of ICICI Bank Eurasia LLC on April 16, 2008 subject to the approval of the Chief Division of the Central Bank of Russian Federation for Kaluga Region), Deputy Chief Executive Officer in charge of Corporate Banking Division – vacancy, Head of Credit, Market and Operational Risks Division – Karen Edonts, Chief Accountant – Chief Financial Officer – Parshina Olga Yurievna.

There have been 10 meetings of the ALM Committee during the period from April 1, 2007 till March 31, 2008.

Product and Process Approval Committee (PPAC)

Terms of reference

To assess the proposed product offering/process improvement from the business and operational perspective, examine feasibility of the system requirements for supporting the product/ process and ensure that adequate risk mitigation and legal & compliance measures are considered.

Composition

The Product and Process Approval Committee comprises of the following members: Head of Retail Business Group Lakshmipathi C. (Chairman), Deputy Chief Executive Officer in charge of Corporate Banking Division, currently the position is vacant, Head of Credit, Market and Operational Risks Division – Karen Edonts, Chief Accountant – Chief Financial Officer - Parshina Olga Yurievna, Head of Operations & IT Group – Larionova Svetlana, Head of Compliance Department – Stepina Elizaveta, Head of Legal Service – Gritsevich Ruslan.

There have been 12 meetings of the Product and Process Approval Committee during the reporting period from April 1, 2007 till March 31, 2008.

Branch Network Development Committee (BNDC)

Terms of reference

To provide adequate attention and to concentrate resources for the execution of the bank's branch network development plan, to accord various approvals on expenses and premises under the powers delegated by the Executive Board and related to the Branch network development.

Composition

The Branch Network Development Committee comprises of the following members: Head of Retail Business Group Lakshmipathi C. (Chairman), Head of Retail Liabilities – Sanjay Gupta, Head of Operations & IT Group – Larionova Svetlana, Chief Accountant – Chief Financial Officer - Parshina Olga Yurievna.

There have been 11 meetings of the Branch Network Development Committee during the reporting period from April 1, 2007 till March 31, 2008.

The Sole Participant

The Sole Participant of the Bank has taken a number of decisions on the composition of the Supervisory Board, increase of equity capital and investment into the property of the Bank, change of location of the Branch, approval of the yearly financial results and appointment of Auditors and of an Inspector of the Bank.

The Sole Participant of ICICI Bank Eurasia LLC holding 100% of its equity capital is ICICI Bank Eurasia LLC.

Disclosures

1. There are no materially significant transactions with related parties i.e., directors, management, subsidiaries, or relatives conflicting with the Bank's interests.

Means of Communication

It is ICICI Bank Eurasia's belief that all stakeholders should have access to complete information regarding its position to enable them to accurately assess its future potential. ICICI Bank Eurasia disseminates information on its operations and initiatives on a regular basis. The ICICI Bank Eurasia website (www.icicibankrussia.com) serves as a key awareness facility for all its stakeholders, allowing them to access information at their convenience. It provides comprehensive information on ICICI Bank Eurasia's strategy, business segments, financial performance, operational performance and the latest press releases.

ICICI Bank Eurasia's annual financial results are published in Russian financial media.

GENERAL SHAREHOLDER INFORMATION

Listing of equity shares/ADSs on Stock Exchanges (with stock code)

ICICI Bank Eurasia has no stock exchange listings.

Share Transfer System

Being a limited liability company shares in the equity capital of ICICI Bank Eurasia LLC is transferred upon resolution/decision of the General meeting of Participants and is effected by introducing of respective changed into the Charter.

Information on Shareholding

Shareholding pattern of ICICI Bank Eurasia LLC at March 31, 2008

Shareholder Category	Shares	%
ICICI Bank Limited	1 594 077 500	100

Plant Locations – Not applicable

Address for Correspondence

ICICI Bank Eurasia LLC
Russia 125047 Moscow
4th Lesnoi Lane 4
Capital Plaza Business Center
Tel No.: +7 (495) 981 - 4988/89
Fax No.: +7 (499) 500 - 8082

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm:

1. that in the preparation of the annual accounts, the applicable accounting standards have been followed, along with proper explanation relating to material departures;
2. that they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Bank at the end of the financial year and of the profit or loss of the Bank for that period;
3. that they have taken proper and sufficient care for the maintenance of adequate accounting records, in accordance with the provisions of the Laws of the Russian Federation for safeguarding the assets of the Bank and for preventing and detecting fraud and other irregularities; and
4. that they have prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENTS

ICICI Bank Eurasia is grateful to the Central Bank of Russia for their continued co-operation, support and advice. ICICI Bank Eurasia LLC wishes to thank its investors, the domestic and international banking community for their support.

ICICI Bank Eurasia LLC would like to take this opportunity to express sincere thanks to its valued clients and customers for their continued patronage. The Directors express their deep sense of appreciation of all the employees, whose outstanding professionalism, commitment and initiative has made the organisation growth and success possible and continues to drive its progress. Finally, the Directors wish to express their gratitude to the Members for their trust and support.

Compliance with the Code of Business Conduct and Ethics

I confirm that all Directors and senior management have affirmed compliance with ICICI Bank Code of Business Conduct and Ethics.

For and on behalf of the Board

Vladislav Alexandrovich Voitsekhovich
Acting Chief Executive Officer

Kaluga Region, City of Balabanovo, May 22, 2008

independent auditors' report

to the Board of Directors of ICICI Bank Eurasia Limited Liability Company

To the Board of Directors of ICICI Bank Eurasia Limited Liability Company

Report on the Financial Statements

We have audited the accompanying financial statements of ICICI Bank Eurasia Limited Liability Company (the "Bank"), which comprise the balance sheet as at December 31, 2007, and the income statement, statement of cash flows and statement of net assets attributable to participants for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2007, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ZAO KPMG
June 6, 2008

ICICI Bank

balance sheet as at December 31, 2007

(Rs. in 000's)

	Notes	2007	2006
ASSETS			
Cash and cash equivalents	4	**851,444**	*129,800*
Minimum reserve deposit at the Central Bank of the Russian Federation	5	**303,312**	*249,236*
Placements with banks and other financial institutions	6	**11,409,952**	*3,328,403*
Financial instruments at fair value through profit or loss	7	**1,323,966**	*1,671,865*
Loans to customers	8	**11,930,786**	*5,088,020*
Available-for-sale assets	9	**4,374,895**	*3,000,341*
Property and equipment	10	**87,119**	*51,057*
Deferred tax asset	11	**73,978**	*13,585*
Other assets	12	**123,773**	*84,695*
TOTAL ASSETS		**30,479,225**	*13,617,002*
LIABILITIES			
Financial instruments at fair value through profit or loss	7	**62,181**	*3,191*
Deposits and balances from banks and other financial institutions	13	**25,961,158**	*10,993,499*
Current accounts and deposits from customers	14	**824,097**	*393,185*
Promissory notes	15	**4,672**	*4,218*
Subordinated debt	16	**814,847**	*356,258*
Other liabilities	17	**56,187**	*3,415*
Total liabilities, other than net assets attributable to participants		**27,723,142**	*11,753,766*
Net assets attributable to participants	18	**2,756,083**	*1,863,236*
TOTAL LIABILITIES		**30,479,225**	*13,617,002*
Commitments and Contingencies	30-32		

The financial statements as set out on pages 212 to 226 were approved by Supervisory Board on June 6, 2008.

VLADISLAV VOITSEKHOVICH
Deputy Chief Executive Officer

OLGA PARSHINA
Chief Accountant and Chief Financial Officer

The balance sheet is to be read in conjunction with the Notes to, and forming part of, the financial statements.

profit and loss statement for the year ended December 31, 2007

(Rs. in 000's)

	Notes	2007	2006
Interest income	19	**1,563,051**	*449,063*
Interest expense	19	**(1,063,980)**	*(241,230)*
Net interest income		**499,071**	*207,833*
Fee and commission income	20	**53,300**	*76,686*
Fee and commission expense	21	**(4,517)**	*(1,866)*
Net fee and commission income		**48,783**	*74,820*
Net (loss)/income on financial instruments at fair value through profit or loss and available-for-sale assets	22	**(11,837)**	*5,652*
Net foreign exchange income	23	**10,701**	*6,287*
Other income	24	**10,233**	*45,539*
Operating income		**556,951**	*340,131*
Net impairment (losses)/reversals	25	**(39,413)**	*901*
General administrative expenses	26	**(604,988)**	*(327,195)*
Operating expenses		**(644,401)**	*(326,294)*
(Loss)/income before taxes		**(87,450)**	*13,837*
Income tax benefit/(expense)	27	**13,353**	*(11,202)*
Net (loss)/income		**(74,097)**	*2,635*

VLADISLAV VOITSEKHOVICH
Deputy Chief Executive Officer

OLGA PARSHINA
Chief Accountant and Chief Financial Officer

The income statement is to be read in conjunction with the Notes to, and forming part of, the financial statements.

cash flow statement

for the year ended December 31, 2007

	Notes	2007	(Rs. in 000's) 2006
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest receipts		**1,579,925**	*355,313*
Interest payments		**(883,848)**	*(107,934)*
Fee and commission receipts		**54,024**	*93,583*
Fee and commission payments		**(3,564)**	*(1,867)*
Net receipts/(payments) from financial instruments at fair value through profit or loss		**(1,067)**	*7,565*
Net payments from foreign exchange		**(143,682)**	*(21,806)*
Other income		**10,234**	*45,704*
General administrative expenses		**(593,626)**	*(316,020)*
		18,396	*54,538*
(Increase)/decrease in operating assets			
Placements with banks and other financial institutions and minimum reserve deposit at the Central Bank of the Russian Federation		**(8,052,974)**	*(3,065,537)*
Financial instruments at fair value through profit or loss		**529,995**	*(1,647,961)*
Loans to customers		**(6,902,649)**	*(4,713,387)*
Available-for-sale assets		**(1,356,990)**	*(2,973,551)*
Other assets		**(2,604)**	*(19,238)*
		(15,785,222)	*(12,419,674)*
Increase/(decrease) in operating liabilities			
Deposits and balances from banks and other financial institutions		**14,755,833**	*10,722,180*
Current accounts and deposits from customers		**428,007**	*339,010*
Other liabilities		**212**	*(1,035)*
		15,184,052	*11,060,155*
Net cash flows from operating activities before taxes paid		**(582,774)**	*(1,304,981)*
Taxes paid		**(78,833)**	*(19,576)*
Cash flows from operations		**(661,607)**	*(1,324,557)*
CASH FLOWS FROM INVESTING ACTIVITIES			
Net purchases of property and equipment		**(47,425)**	*(40,394)*
Cash flows from investing activities		**(47,425)**	*(40,394)*
CASH FLOWS FROM FINANCING ACTIVITIES			
Contribution by participant		**979,163**	*1,117,047*
Proceeds from subordinated debt		**451,018**	*338,975*
Cash flows from financing activities		**1,430,181**	*1,456,022*
Net increase in cash and cash equivalents		**721,150**	*91,071*
Effect of changes in exchange rates on cash and cash equivalents		**494**	*993*
Cash and cash equivalents at the beginning of the year		**129,800**	*37,736*
Cash and cash equivalents at the end of the year	4	**851,444**	*129,800*

VLADISLAV VOITSEKHOVICH
Deputy Chief Executive Officer

OLGA PARSHINA
Chief Accountant and Chief Financial Officer

The statement of cash flows is to be read in conjunction with the Notes to, and forming part of, the financial statements.

Statement of Changes in Net Assets Attributable to Participants for the year ended December 31, 2007

(Rs. in 000's)

	Charter Capital	Additional paid-in capital	Revaluation reserve for available-for-sale assets	Retained Earnings	Total net assets attributable to participants
Balance at January 1, 2006	**662,495**	**235,716**	**—**	**(142,763)**	**755,448**
Net income for the year	—	—	—	2,634	2,634
Net unrealised losses on available-for-sale assets	—	—	(15,646)	—	(15,646)
Tax effect on unrealised losses on available-for-sale assets	—	—	3,753	—	3,753
Total income	—	—	(11,893)	2,634	(9,259)
Contribution by the sole participant (refer Note 18)	1,082,187	34,860	—	—	1,117,047
Balance at December 31, 2006	**1,744,682**	**270,576**	**(11,893)**	**(140,129)**	**1,863,236**
Net income for the year				(74,097)	(74,097)
Net unrealised losses on available-for-sale assets			(16,079)		(16,079)
Tax effect on unrealised losses on available-for-sale assets			3,860		3,860
Total income			**(12,219)**	**(74,097)**	**(86,316)**
Contribution by the sole participant (refer Note 18)	979,163				979,163
Balance at December 31, 2007	**2,723,845**	**270,576**	**(24,112)**	**(214,226)**	**2,756,083**

The statement of changes in net assets attributable to participants is to be read in conjunction with the Notes to, and forming part of, the financial statements.

NOTE 1 – BACKGROUND

Principal activities

ICICI Bank Eurasia Limited Liability Company (the "Bank") was established in the Russian Federation in May 2005, when ICICI Bank Limited (the "Parent"), acquired the entire share capital of Investisionno-Kreditny Bank (IKB), a Russian bank with registered office in Balabanovo in the Kaluga region and a branch in Moscow. Investisionno-Kreditny Bank (IKB) was founded in 1992. The Bank conducts its business under a banking license issued by the Central Bank of the Russian Federation on May 27, 1998 registration number 3329, for banking operations in Russian Roubles and foreign currencies from legal entities and individuals.

The Bank is a member of the state deposit insurance scheme in the Russian Federation.

The principal activities of the Bank are corporate and retail lending, issuing guarantees, deposit taking, customer accounts maintenance, cash and settlement operations and operations with securities and foreign exchange. The activities of the Bank are regulated by the Central Bank of the Russian Federation ("CBR").

The registered address of the Bank's head office is 249000, Kaluga region, Balabanovo, 50 Let Oktyabrya square, 3. The Bank has 2 branches in Moscow and Saint-Petersburg and 3 cash offices in Moscow and Kaluga region.

As of December 31, 2007, the number of staff employed by the Bank was 178 (December 31, 2006: 120).

The Bank is wholly-owned by ICICI Bank Limited which is a parent company of ICICI Group (the "Group"). The majority of the Bank's funding is from the Group. As a result the Bank is economically dependent upon the Group. In addition, the activities of the Bank are closely linked with the requirements of the Group and determination of the pricing of services to or from the Group is undertaken in conjunction with other Group companies. Related party transactions are detailed in Note 33.

Russian business environment

The Russian Federation has been experiencing political and economic change which has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Russian Federation involve risks, which do not typically exist in other markets. The accompanying financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Bank. The future business environment may differ from management's assessment.

NOTES 2 – BASIS OF PREPARATION

Statement of compliance

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Basis of measurement

The financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss and available-for-sale assets are stated at fair value.

Functional and Presentation Currency

The national currency of the Russian Federation is the Russian Rouble ("RUR"). Management has determined the Bank's functional currency to be the RUR as it reflects the economic substance of the underlying events and circumstances of the Bank. The Indian Rupees is also the Bank's presentation currency for the purposes of these financial statements.

Financial information presented in Indian Rupees has been rounded to the nearest thousand.

Use of estimates and judgments

Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with IFRS. Actual results could differ from those estimates.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies is described in the following notes:

- Loan impairment estimates - Note 8

NOTES 3 – SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been applied in the preparation of the financial statements. The accounting policies have been consistently applied. Changes in accounting policies are described at the end of this Note.

Foreign currency transactions

Transactions in foreign currencies are translated to the appropriate functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to the functional currency at the foreign exchange rate ruling at the date of the transaction. Foreign exchange differences arising on translation are recognised in the income statement.

Inflation accounting

The Russian Federation ceased to be hyperinflationary with effect from January 1, 2003 and accordingly no adjustments for hyperinflation have been made for periods subsequent to this date. The hyperinflation-adjusted carrying amounts of the Bank's assets and liabilities as at December 31, 2002 became their carrying amounts as at January 1, 2003 for the purpose of subsequent accounting.

Cash and cash equivalents

The Bank considers cash and nostro accounts with the CBR to be cash and cash equivalents. The minimum reserve deposit with the CBR is not considered to be a cash equivalent due to restrictions on its withdrawability.

Financial instruments

Classification

Financial instruments at fair value through profit or loss are financial assets or liabilities that are:

- acquired or incurred principally for the purpose of selling or repurchasing in the near term;
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- derivative financial instruments (except for derivative financial instruments that are designated and effective hedging instruments); or,
- upon initial recognition, designated by the entity as at fair value through the profit or loss.

The Bank designates financial assets and liabilities at fair value through profit or loss where either:

- the assets or liabilities are managed and evaluated on a fair value basis;
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as an asset. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as a liability.

Financial assets and liabilities at fair value through profit or loss are not reclassified subsequent to initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that:

- the Bank intends to sell immediately or in the near term;
- the Bank upon initial recognition designates as at fair value through profit or loss;
- the Bank upon initial recognition designates as available-for-sale; or
- the Bank may not recover substantially all of its initial investment, other than because of credit deterioration.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intention and ability to hold to maturity, other than those that:

- the Bank upon initial recognition designates as at fair value through profit or loss;
- the Bank designates as available-for-sale; or
- meet the definition of loans and receivables.

Available-for-sale assets are those financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial instruments at fair value through profit or loss.

Management determines the appropriate classification of financial instruments at the time of the initial recognition.

Recognition

Financial assets and liabilities are recognized in the balance sheet when the Bank becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for:

- loans and receivables which are measured at amortized cost using the effective interest method;
- held-to-maturity investments which are measured at amortized cost using the effective interest method; and
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured which are measured at cost.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortised cost. Amortised cost is calculated using the effective interest method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

Where a valuation based on observable market data indicates a fair value gain or loss on initial recognition of an asset or liability, the gain or loss is recognised immediately in the income statement. Where an initial gain or loss is not based entirely on observable market data, it is deferred and recognised over the life of the asset or liability on an appropriate basis, or when prices become observable, or on disposal of the asset or liability.

Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the balance sheet date.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Bank would receive or pay to terminate the contract at the balance sheet date taking into account current market conditions and the current creditworthiness of the counterparties.

Gains and losses on subsequent measurement

A gain or loss arising from a change in the fair value of a financial asset or liability is recognized as follows:

- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognized in the income statement;
- a gain or loss on an available-for-sale financial asset is recognized directly through changes in assets attributable to participants (except for impairment losses and foreign exchange gains and losses) until the asset is derecognized, at which time the cumulative gain or loss previously recognised in changes in assets attributable to participants is recognized in the income statement. Interest in relation to an available-for-sale financial asset is recognized as earned in the income statement calculated using the effective interest method.

For financial assets and liabilities carried at amortised cost, a gain or loss is recognized in the income statement when the financial asset or liability is derecognized or impaired, and through the amortization process.

Derecognition

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or when the Bank transfers substantially all of the risks and rewards of ownership of the financial asset. Any rights or obligations created or retained in the transfer are recognized separately as assets or liabilities. A financial liability is derecognised when it is extinguished.

The Bank also derecognises certain assets when it writes off balances pertaining to the assets deemed to be uncollectible.

Credit related commitments

In the normal course of business, the Bank enters into credit related commitments, comprising undrawn loan commitments, letters of credit and guarantees.

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

A financial guarantee liability is recognised initially at fair value net of associated transaction costs, and are measured subsequently at the higher of the amount initially recognised less cumulative amortisation or the amount of provision for losses under the guarantee. Provisions for losses under financial guarantees and other credit related commitments are recognised when losses are considered probable and can be measured reliably.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Property and equipment

Owned assets

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses.

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the first day of the month, following the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. The estimated useful lives are as follows:

Equipment	4 years
Fixtures and fittings	4 to 10 years
Vehicles	5 years
Leasehold improvements	Term of lease

Intangible assets

Intangible assets, which are acquired by the Bank, are stated at cost less accumulated amortisation and impairment losses.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

The estimated useful life is as follow:

Computer software	10 years

Impairment

Financial assets carried at amortized cost

Financial assets carried at amortized cost consist principally of loans, other receivables and unquoted available-for-sale debt securities ("loans and receivables"). The Bank reviews its loans and receivables, to assess impairment on a regular basis. A loan or receivable is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan or receivable and that event (or events) has had an impact on the estimated future cash flows of the loan that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, breach of loan covenants or conditions, restructuring of a loan or advance by the Bank on terms that the Bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of collateral, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with defaults in the group.

The Bank first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed loan or receivable, whether significant or not, it includes the loan in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan or receivable has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the loan or receivable's original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

In some cases the observable data required to estimate the amount of an impairment loss on a loan or receivable may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Bank uses its experience and judgment to estimate the amount of any impairment loss.

All impairment losses in respect of loans and receivables are recognized in the income statement and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

When a loan is uncollectable, it is written off against the related allowance for loan impairment. The Bank writes off a loan balance (and any related allowances for loan losses) when the Bank's management determines that the loans are uncollectible and when all necessary steps to collect the loan are completed.

Provisions

A provision is recognised in the balance sheet when the Bank has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Distribution of net profit

The ability of the Bank to distribute the net profit is subject to the rules and regulations of the Russian legislation.

Distribution of net profit is reflected as an appropriation of retained earnings in the period when it is declared.

Taxation

Income tax comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in changes in net assets attributable to participants, in which case it is recognised in changes in net assets attributable to participants.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and where it is probable that the temporary difference will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Interest income and expenses and fee and commission income

With the exception of financial assets held for trading and other financial instruments at fair value through profit or loss, interest income and expense are recognised in the income statement using the effective interest method. Interest income on financial assets held for trading and on other financial instruments at fair value through profit or loss comprises coupon interest only.

Accrued discounts and premiums on financial instruments at fair value through profit or loss are recognised in gains less losses from financial instruments at fair value through profit or loss, respectively.

Loan origination fees, loan servicing fees and other fees that are considered to be integral to the overall profitability of a loan, together with the related direct costs, are deferred and amortized to the interest income over the estimated life of the financial instrument using the effective interest rate method.

Other fees, commissions and other income and expense items are recognised when the corresponding service has been provided.

Operating leases

Where the Bank is the lessee in a lease agreement where the lessor does not transfer substantially all of the risks and rewards incidental to ownership of the asset, the arrangement is accounted for as an operating lease. The leased asset is not recognised in the Bank's financial statements, and lease payments are recognised in the statement of income on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Changes in accounting policies

As at January 1, 2007, the Bank adopted the International Financial Reporting Standard IFRS 7 "Financial Instruments: Disclosures" and the amendment to International Financial Reporting Standard IAS 1 "Presentation of Financial Statements" – "Capital Disclosures". The application of the Standard and the amendment resulted in increased disclosure in respect of the Bank's financial instruments and the nature and extent of risks arising from financial instruments and increased disclosure in respect of the Bank's objectives, policies and processes for managing capital.

New Standards and Interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2007, and have not been applied in preparing these financial statements. Of these pronouncements, potentially the following will have an impact on the Bank's operations. The Bank plans to adopt these pronouncements when they become effective. The Bank has not yet analysed the likely impact of these new standards on its financial statements.

IFRS 8 "Operating Segments", which is effective for annual periods beginning on or after January 1, 2009, specifies how an entity should report information about its operating segments and sets out requirements for related disclosures about products and services, geographical areas and major customers. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Financial information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. IFRS 8 "Operating Segments" will replace International Financial Reporting Standard IAS 14 "Segment Reporting".

International Financial Reporting Standard IAS 1 "Presentation of Financial Statements" (Revised), which is effective for annual periods beginning on or after 1 January 2009, specifies how an entity should present changes in net assets attributable to participants not resulting from transactions with owners and other changes in net assets attributable to participants in its financial statements, and introduces certain other requirements in respect of presentation of information in the financial statements. The Company has not yet determined the potential effect of the standard.

Puttable Financial Instruments and Obligations Arising on Liquidation, issued in February 2008, amends IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements. The amendments are effective for annual periods beginning on or after January 1, 2009, although earlier application is permitted. Currently, IAS 32 required shareholders' interests in limited liability companies to be classified as liabilities because such companies are obliged to pay a withdrawing shareholder its share of the company's net assets. Following the amendment, IAS 32 requires such interests to be classified as equity, rather than liabilities, because they represent a residual interest in the entity. The Company has not yet determined the potential effect of the standard.

NOTE 4 – CASH AND CASH EQUIVALENTS

(Rs. in 000s')

	2007	2006
Cash	285,747	*49,958*
Due from the Central Bank – nostro accounts	565,697	*79,842*
	851,444	*129,800*

The nostro accounts represent balances with the CBR related to settlement activity and were available for withdrawal at year end.

NOTE 5 – MINIMUM RESERVE DEPOSIT WITH THE CENTRAL BANK OF THE RUSSIAN FEDERATION

(Rs. in 000's)

	2007	2006
Minimum reserve deposit	303,312	*249,236*
	303,312	*249,236*

The minimum reserve deposit is a mandatory non-interest bearing deposit calculated in accordance with regulations issued by the CBR and whose withdrawability is restricted.

NOTE 6 – PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

(Rs. in 000's)

	2007	2006
Not impaired or past due		
Loans and deposits		
Largest 30 Russian banks	4,602,652	*1,908,994*
OECD banks	3,161,185	—
Other Russian banks	1,299,373	*84,806*
Other foreign banks	598,122	—
Total loans and deposits	**9,661,332**	*1,993,800*
Nostro accounts		
OECD banks	809,463	*844,518*
Largest 30 Russian banks	27,247	*4,144*
Other foreign banks	7,092	*2,126*
Other Russian banks	13	*773*
Total nostro accounts	**843,815**	*851,561*
Overnight placements with banks		
OECD banks	904,805	*483,042*
Total overnight placements with banks	**904,805**	*483,042*
	11,409,952	*3,328,403*

Concentration of placements with banks and other financial institutions

As at December 31, 2007 the Bank had 2 (2006: 2) banks and other financial institutions, whose balance exceeded 10% of total placements with banks and other financial institutions. The gross values of these balances as of December 31, 2007 and 2006 were Rs. 4,865,249 thousand and Rs. 1,317,156 thousand, respectively.

NOTE 7 – FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

(Rs. in 000's)

	2007	2006
Assets		
Debt and other fixed-income instruments		
Held by the Bank		
Government and municipal bonds		
– Russian Government Federal bonds (OFZ)	12,037	—
Total government and municipal bonds	**12,037**	—
Corporate bonds		
– CJSC OMK, 1	178,782	*180,856*
– OJSC TMK, 3	165,723	*166,015*
– LLC Investment Company Rubin	165,575	*297,119*
– OJSC Severstal, 2009	165,154	*180,602*
– OJSC MOESK, 01	163,331	—
– X5 Retail Group N.V., 01	163,051	—
– OJSC Uralsvyazinform, 7	28,835	—
– OJSC TMK, 2	9,395	—
– OJSC Mechel, 2	—	*244,829*
- OJSC FSK EES, 3	—	*194,515*
Total corporate bonds	**1,039,846**	*1,263,936*
Bonds issued by banks		
– CJSC Nomos Bank, 7	80,727	*81,038*
– JSC Commercial Bank Center-invest, 1	—	*212,125*
– OJSC Sibacadem Bank, 5	—	*114,766*
Total bonds issued by banks	**80,727**	*407,929*
Pledged under sale and repurchase agreements		
Corporate bonds		
– JSC OGK-6, 01 (refer Note 13)	161,491	—
	161,491	—
Derivative financial instruments		
Foreign currency contracts	29,865	—
	29,865	—
	1,323,966	*1,671,865*
Liabilities		
Derivative financial instruments		
Foreign currency contracts	62,181	*3,191*
	62,181	*3,191*

Included in financial assets at fair value through profit or loss at December 31, 2007 are Rs. 1,294,101 thousand in financial assets which are classified as held for trading and Rs. 29,865 in financial assets which were, upon initial recognition, designed by the entity as financial assets at fair value through profit or loss (2006: Rs. 1,671,865 thousand and nil, respectively).

Losses arising on derivative financial instruments are recognized in net foreign exchange income (Note 23).

Foreign currency contracts

The table below summarises, by major currency, the contractual amounts of the Bank's forward exchange contracts outstanding at December 31, 2007 with details of the contracted exchange rates and remaining periods to maturity. Foreign currency amounts presented below are translated at rates ruling at the balance sheet date. The resultant unrealised gains and losses on these unmatured contracts, along with the amounts payable and receivable on the matured but unsettled contracts, have been recognised in the income statement and in financial instruments at fair value through profit or loss, as appropriate.

	Notional amount		Weighted average contracted exchange rates	
	2007 (Rs. in 000's)	*2006 (Rs. in 000's)*	2007	*2006*
Buy USD sell RUR				
Less than three months	**1,698,490**	*1,771,150*	**25.05**	*26.37*
Between three months and one year	**394,997**	*495,753*	**25.38**	*26.37*
Buy JPY sell USD				
Less than three months	**1,290,821**	—	**0.009**	—
Between three months and one year	**725,440**	—	**0.009**	—
Buy USD sell GBP				
Less than three months	**318,446**	—	**0.50**	—
Between three months and one year	**279,912**	—	**0.49**	—
Buy USD sell Euros				
Less than three months	**—**	*105,921*	**—**	*0.76*

The following table provides information on the credit quality of foreign currency contracts, which are assets:

		(Rs. in 000's)
	2007	*2006*
Largest 30 Russian banks	**3,982,669**	*2,372,823*
Other foreign Banks	**725,437**	—
	4,708,106	*2,372,823,*

NOTE 8 – LOANS TO CUSTOMERS

		(Rs. in 000's)
	2007	*2006*
Commercial loans		
Loans to corporate clients	**9,064,477**	*4,128,158*
Public sector customers		
Public administration	**408,468**	*321,840*
Loans to individuals		
Mortgage lending	**2,334,117**	*549,389*
Auto loans	**151,522**	*96,286*
Credit cards	**20,290**	*816*
Gross loans to customers	**11,978,874**	*5,096,489*
Impairment allowance	**(48,088)**	*(8,469)*
Net loans to customers	**11,930,786**	*5,088,020*

Movements in the loan impairment allowance for the year ended December 31, 2007 and 2006 were as follows:

		(Rs. in 000's)
	2007	*2006*
Balance at the beginning of the year	**8,469**	*9,535*
Net charge/(recovery) for the year (Note 25)	**39,619**	*(1,066)*
Balance at the end of the year	**48,088**	*8,469*

As at December 31, 2007, interest accrued on impaired loans amounted to Rs. 2,695 thousand (December 31, 2006: Rs. 1,360 thousand).Credit quality of commercial loan portfolio.

The following table provides information on the credit quality of the commercial loan portfolio as at December 31, 2007:

	(Rs. in 000's)			%
	Gross loans	Impairment	Net loans	Impairment to gross loans
Loans to corporate clients				
Loans for which no impairment has been identified:				
– Standard loans	**9,054,910**	**(23,412)**	**9,031,498**	**0.26**
Total loans for which no impairment has been identified	**9,054,910**	**(23,412)**	**9,031,498**	**0.26**
Impaired loans:				
– overdue more than 1 year	**9,567**	**(9,567)**	**—**	**100**
Total impaired loans	**9,567**	**(9,567)**	**—**	**100**
Total loans to corporate clients	**9,064,477**	**(32,979)**	**9,031,498**	**0.36**

The following table provides information on the credit quality of the commercial loan portfolio as at December 31, 2006:

	(Rs. in 000's)			*%*
	Gross loans	*Impairment*	*Net loans*	*Impairment to gross loans*
Loans to corporate clients				
Loans for which no impairment has been identified:				
– Standard loans	*4,121,203*	—	*4,121,203*	—
Total loans for which no impairment has been identified	*4,121,203*	—	*4,121,203*	—
Impaired loans:				
– overdue more than 1 year	*6,955*	*(6,955)*	—	*100*
Total impaired loans	*6,955*	*(6,955)*	—	*100*
Total loans to corporate clients	*4,128,158*	*(6,955)*	*4,121,203*	*0.17*

The Bank has estimated loan impairment for commercial loans based on an analysis of the future cash flows for impaired loans and based on its past loss experience for portfolios of loans for which no indicators of impairment has been identified.

Changes in these estimates could effect the loan impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by one percent, the loan impairment provision on commercial loans as of December 31, 2007 would be Rs. 90,315 thousand lower/higher (December 31, 2006: Rs. 41,212 thousand).

Analysis of collateral

Loans granted to corporate clients are secured by real estate, securities and guarantees of individuals and legal entities.

For the impaired or overdue loans which a gross value of Rs. 9,567 thousands, it is impracticable to determine the fair value of collator.

During the year ended December 31, 2007 the Bank did not obtain any assets by taking control of collateral accepted as security for commercial loans (December 31, 2006: nil).

Analysis of movements in the impairment allowance

Movements in the loan impairment allowance of commercial loans for the year ended December 31, 2007 and 2006 were as follows:

		(Rs. in 000's)
	2007	*2006*
Loan impairment allowance as at 1 January	**6,955**	*9,292*
Loan impairment losses/(recovery) during the year	**26,024**	*(2,337)*
Loan impairment allowance as at December 31,	**32,979**	*6,955*

Credit quality of loans to public sector customers

The following table provides information on the credit quality of the loans to public sector customers portfolio as at December 31, 2007:

	(Rs. in 000's)			%
	Gross loans	Impairment	Net loans	Impairment to gross loans
Loans to public sector customers				
Loans for which no impairment has been identified:				
– Standard loans	**408,468**	**—**	**408,468**	**—**
Total loans for which no impairment has been identified	**408,468**	**—**	**408,468**	**—**
Total loans to public sector customers	**408,468**	**—**	**408,468**	**—**

The following table provides information on the credit quality of the loans to public sector customers portfolio as at December 31, 2006:

	(Rs. in 000's)			%
	Gross loans	Impairment	Net loans	Impairment to gross loans
Loans to public sector customers				
Loans for which no impairment has been identified:				
– Standard loans	321,840	—	321,840	—
Total loans for which no impairment has been identified	321,840	—	321,840	—
Loans to public sector customers	321,840	—	321,840	—

There were no historical losses from loans to public sector customers with the exception of one loan which was included in watch list due it its average financial indicators as at December 31, 2007, thus the Bank has not provided loans where no indicators of impairment have been identified to public sector customers.

Changes in these estimates could effect the loan impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by one percent, the loan impairment on loans to individuals as of December 31, 2007 would be Rs. 4,084 thousand lower/higher (December 31, 2006: Rs. 3,218 thousand).

Credit quality of loans to individuals

The following table provides information on the credit quality of loans to individuals portfolios as at December 31, 2007:

	(Rs. in 000's)			%
	Gross loans	**Impairment**	**Net loans**	**Impairment to gross loans**
Mortgage loans				
– Not past due	2,334,117	(11,844)	2,322,273	0.51
Total mortgage loans	2,334,117	(11,844)	2,322,273	0.51
Auto loans				
– Not past due	150,053	(1,104)	148,949	0.74
– Overdue more than 360 days	1,469	(1,469)	—	100
Total auto loans	151,522	(2,573)	148,949	1.69
Credit cards				
– Not past due	19,729	(130)	19,599	0.66
– Overdue 180 - 360 days	55	(55)	—	100.0
– Overdue more than 360 days	506	(506)	—	100.0
Total credit cards	20,290	(691)	19,599	3.41
Total loans to individuals	2,505,929	(15,108)	2,490,821	0.60

The following table provides information on the credit quality of loans to individuals portfolios as at December 31, 2006:

	(Rs. in 000's)			%
	Gross loans	Impairment	Net loans	Impairment to gross loans
Mortgage loans				
– Not past due	543,287	—	543,287	—
– Overdue less than 30 days	6,102	—	6,102	—
Total mortgage loans	549,389	—	549,389	—
Auto loans				
– Not past due	94,772	—	94,772	—
– Overdue less than 30 days	909	(909)	—	100
– Overdue 180 - 360 days	605	(605)	—	100
Total auto loans	96,286	(1,514)	94,772	1.57
Credit cards				
– Not past due	816	—	816	—
Total credit cards	816	—	816	—
Total loans to individuals	646,491	(1,514)	644,977	0.23

The Bank estimates loan impairment based on its past historical loss experience on these types of loans.

Changes in these estimates could effect the loan impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by three percents, the loan impairment on loans to individuals as of December 31, 2007 would be Rs. 74,725 thousand lower/higher (December 31, 2006: Rs. 19,349 thousand).

Analysis of collateral

Mortgage loans are secured by underlying housing real estate. Auto loans are secured by underlying vehicles. Credit cards are not secured.

Analysis of movements in the impairment allowance

Movements in the loan impairment allowance by classes of retail loans for the year ended December 31, 2007 are as follows:

				(Rs. in 000's)
	Mortgage loans	**Auto loans**	**Credit cards**	**Total**
Loan impairment allowance as at January 1	**—**	**1,514**	**—**	**1,514**
Loan impairment losses during the year	**11,844**	**1,059**	**692**	**13,595**
Loan impairment allowance as at December 31	**11,844**	**2,573**	**692**	**15,109**

Movements in the loan impairment allowance by classes of retail loans for the year ended December 31, 2006 were as follows:

				(Rs. in 000's)
	Mortgage loans	Auto loans	Credit cards	Total
Loan impairment allowance as at January 1	219	24	—	243
Loan impairment losses during the year/(recovery)	(219)	1,490	—	1,271
Loan impairment allowance as at December 31	—	1,514	—	1,514

Industry analysis of the loan portfolio

Loans to customers were issued primarily to customers located within the Russian Federation, who operate in the following economic sectors:

		(Rs. in 000's)
	2007	2006
Trade	**2,201,233**	1,167,882
Manufacturing	**2,131,152**	1,070,828
Finance	**1,121,780**	290,148
Mining/metallurgy	**984,888**	423,739
Oil and gas	**735,831**	113,880
Real estate	**567,386**	828,175
Machine-building	**466,385**	230,968
Municipal authorities	**408,468**	321,854
Other	**855,822**	2,524
Loans to individuals	**2,505,929**	646,491
	11,978,874	5,096,489
Impairment allowance	**(48,088)**	(8,469)
	11,930,786	5,088,020

Significant credit exposures

As at December 31, 2007 the Bank had no (2006: none) borrowers or group of related borrowers, whose loan balance exceeded 10% of loans to customers.

Loan maturities

The maturity of the Bank's loan portfolio is presented in Note 36, which shows the remaining period from the reporting date to the contractual maturity of the loans comprising the loan portfolio. Due to the short-term nature of the credits issued by the Bank, it is likely that many of the Bank's loans to customers will be renewed on maturity. Accordingly, the effective maturity of the loan portfolio may be significantly longer than the classification indicated based on contractual terms.

NOTE 9 – AVAILABLE-FOR-SALE ASSETS

	2007	2006
	(Rs. in 000's)	
Assets		
Debt and other fixed-income instruments		
– Government and municipal bonds		
Russian Government Federal bonds (OFZ)	**150,188**	—
Volgograd municipality	**80,531**	*80,853*
Total government and municipal bonds	**230,719**	*80,853*
Corporate bonds		
– OJSC Chelyabinsk Tube Rolling Plant, 1	**188,640**	*192,227*
– OJSC Tatenergo, 1	**176,104**	*179,481*
– OJSC Wimm-Bill-Dann Foods, 2	**173,246**	*174,046*
– OJSC Salavatnefteorgsintez, 2	**170,728**	*157,800*
– OJSC Nijnekamskneftechim, 4	**165,542**	*171,964*
– JSC Amurmetal	**164,312**	—
– LLC San InterBruy Finance, 2	**163,339**	*149,145*
– PJSC Stroytransgaz, 02	**163,036**	—
– OJSC KOKS, 02	**162,981**	—
– JSC TGK-1, 01	**162,837**	—
– URALSIB Financial Corporation's Leasing Company, 01	**162,788**	—
– LLC Itera Finance	**162,640**	—
– JSC OGK-5, 01	**162,059**	—
– JSC SIBUR Holding, 01	**161,448**	—
– OJSC UMPO, 1	**160,737**	*161,337*
– OJSC Bashkirenergo, 3	**160,209**	*160,844*
– JSC The Seventh Continent, 02	**157,517**	—
– OJSC Second Wholesale Generating Company, 01	**148,574**	—
– OJSC MMK, 2008	**141,462**	*153,625*
– AFK Sistema, 2009	**133,230**	*148,080*
– OJSC Uralsvyazinform, 6	**97,476**	*97,907*
– OJSC Gas-finance, 1	**82,935**	*82,998*
– JSC Tattelecom	**81,776**	—
– OJSC Uralsvyazinform, 5	**32,907**	*33,420*
– OJSC Baltika Breweries, 1	—	*183,100*
– OJSC Mosenergo, 1	—	*172,646*
– OJSC Salavatnefteorgsintez	—	*129,780*
– OJSC TMK, 2	—	*83,036*
– N-Invest S.A.	—	*43,454*
Total corporate bonds	**3,536,523**	*2,474,890*
Bonds issued by banks		
– OJSC Commercial bank Petrocommerce	**138,298**	*150,924*
– OJSC MDM Bank, 03	**82,029**	—
– OJSC Bank Zenit, 03	**81,614**	—
– JSC TransCreditBank, 02	**79,219**	—
– JSC TransCreditBank, 01	**31,077**	—
– Alfa Bank, 2012 (LPN)	**18,401**	—
– CJSC Russian Standard Bank, 5	—	*49,362*
Total bonds issued by banks	**430,638**	*200,286*
Promissory notes issued by banks		
– OJSC MDM Bank	**138,048**	—
– OJSC Uralsib Bank	**38,967**	*244,312*
Total promissory notes issued by banks	**177,015**	*244,312*
	4,374,895	*3,000,341*

Included in available-for-sale assets are the following non-quoted debt securities:

	2007	2006
	(Rs. in 000's)	
Debt and other fixed-income instruments		
Corporate bonds	—	*334,570*
	—	*334,570*

NOTE 10 – PROPERTY AND EQUIPMENT

(Rs. in 000's)

	Equipment	Fixtures and fittings	Vehicles	Intangible Assets (Computer software)	Construction in progress	Leasehold improvements	Total
Cost amount							
At January 1, 2007	21,776	22,699	2,703	11,395	113	—	58,686
Additions	18,495	9,131	—	9,710	10,089	—	47,425
Transfer	61	—	—	—	(10,202)	10,141	—
At December 31, 2007	40,332	31,830	2,703	21,105	—	10,141	106,111
Depreciation/ amortisation							
At January 1, 2007	(3,696)	(1,777)	(940)	(1,217)	—	—	(7,630)
Depreciation/ amortisation charge	(8,091)	(962)	(484)	(1,451)	—	(373)	(11,361)
At December 31, 2007	(11,787)	(2,739)	(1,424)	(2,668)	—	(373)	(18,991)
Carrying value							
At December 31, 2007	28,545	29,091	1,279	18,437	—	9,768	87,120
At December 31, 2006	*18,080*	*20,922*	*1,763*	*10,178*	*113*	—	*51,056*

(Rs. in 000's)

	Equipment	*Fixtures and fittings*	*Vehicles*	*Computer software*	*Construction in progress*	*Total*
Cost amount						
At January 1, 2006	*4,441*	*661*	*2,703*	*9,282*	*1,596*	*18,683*
Additions	*16,192*	*22,038*	—	*2,113*	*113*	*40,456*
Transfer	*1,596*	—	—	—	*(1,596)*	—
Disposals	*(454)*	—	—	—	—	*(454)*
At December 31, 2006	*21,775*	*22,699*	*2,703*	*11,395*	*113*	*58,685*
Depreciation/ amortisation						
At January 1, 2006	*(891)*	*(172)*	*(455)*	*(261)*	—	*(1,779)*
Depreciation/amortisation charge	*(3,032)*	*(1,604)*	*(484)*	*(956)*	—	*(6,076)*
Disposals	*227*	—	—	—	—	*227*
At December 31, 2006	*(3,696)*	*(1,776)*	*(939)*	*(1,217)*	—	*(7,628)*
Carrying value						
At December 31, 2006	*18,079*	*20,923*	*1,764*	*10,178*	*113*	*51,057*
At December 31, 2005	*3,550*	*489*	*2,248*	*9,021*	*1,596*	*16,904*

NOTE 11 – DEFERRED TAX ASSET

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax assets as of December 31, 2007 and 2006. These deferred tax assets have been recognised in these financial statements. The future tax benefits will only be realised if profits will be available against which the unused tax losses can be utilised and there are no changes to the law and regulations that adversely affect the Bank's ability to claim the deductions in future periods.

These deductible temporary differences, which have no expiry dates, are listed below at their tax effected accumulated values:

(Rs. in 000's)

	Assets		Liabilities		Net	
	2007	*2006*	**2007**	*2006*	**2007**	*2006*
Financial instruments at fair value through profit or loss	**26,972**	*7,100*	**(937)**	—	**26,035**	*7,100*
Placements with banks and other financial institutions	**3,653**	—	—	—	**3,653**	—
Loans to customers	**37,007**	*4,055*	—	*(605)*	**37,007**	*3,450*
Available-for-sale assets	**7,615**	*3,754*	—	—	**7,615**	*3,754*
Property and equipment	—	—	**(3,492)**	*(719)*	**(3,492)**	*(719)*
Deposits and balances from banks and other financial institutions	—	—	**(10,059)**	—	**(10,059)**	—
Other	**13,219**	—	—	—	**13,219**	—
Total deferred tax assets/(liabilities)	**88,466**	**14,909**	**(14,488)**	**(1,324)**	**73,978**	**13,585**

The rate of tax applicable for deferred taxes was 24% (2006: 24%).

The above deductible temporary differences do not expire under current tax legislation.

Movement in temporary differences during the year

(Rs. in 000's)

	Balance January 1, 2007	Recognised in income	Recognised in changes in net assets attributable to participants	Balance December 31, 2007
Financial instruments at fair value through profit or loss	7,100	18,935	—	26,035
Placements with banks and other financial institutions	—	3,653	—	3,653
Loans to customers	3,450	33,557	—	37,007
Available-for-sale assets	3,754	—	3,860	7,615
Property and equipment	(719)	(2,773)	—	(3,492)
Deposits and balances from banks and other financial institutions	—	(10,059)	—	(10,059)
Other	—	13,219	—	13,219
	13,585	**56,532**	**3,860**	**73,978**

NOTE 12 – OTHER ASSETS

(Rs. in 000's)

	2007	2006
Other prepayments	**77,214**	*62,976*
Tax prepayments	**32,585**	—
Rent advances	**11,301**	—
Unsettlements securities trades	**1,305**	*17,930*
Other	**1,368**	*3,995*
	123,773	*84,901*
Impairment allowance	**—**	*(206)*
	123,773	*84,695*

Analysis of movements in the impairment allowance

(Rs. in 000's)

	2007	2006
Balance at the beginning of the year	**206**	*42*
Impairment losses / (recovery) during the year (Note 25)	**(206)**	*164*
Balance at the end of the year	**—**	*206*

NOTE 13 – DEPOSITS AND BALANCES FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

(Rs. in 000's)

	2007	2006
Term deposits	**25,823,260**	*10,993,499*
Sale and repurchase agreements	**137,898**	
	25,961,158	*10,993,499*

Securities sold under sale and repurchase agreements as at December 31, 2007 are securities with a total fair value of Rs. 161,491 thousand (2006: nil). Refer to Note 7.

Concentration of deposits and balances from banks and other financial institutions

As at December 31, 2007 the Bank had 1 (2006: 1) group of related banks, whose balances exceeded 10% of total deposits and balances from banks and other financial institutions. The gross value of these balances as of December 31, 2007 and 2006 were Rs. 21,983,754 thousand and Rs. 10,280,057 thousand, respectively.

NOTE 14 – CURRENT ACCOUNTS AND DEPOSITS FROM CUSTOMERS

(Rs. in 000's)

	2007	2006
Current accounts and demand deposits		
– Retail	**96,558**	*24,598*
– Corporate	**437,279**	*351,914*
Term deposits		
– Retail	**209,725**	*6,543*
– Corporate	**80,535**	*10,130*
	824,097	*393,185*

Concentrations of current accounts and customer deposits

As of December 31, 2007 the Bank had 1 (2005: 2) customers, whose balances exceeded 10% of total customer accounts. These balances as of December 31, 2007 and 2006 were Rs. 93,968 thousand and Rs. 183,837 thousand, respectively.

Blocked accounts

As of December 31, 2007, the Bank maintained customer deposit balances of Rs. 54,573 thousand (2006: none) which were blocked by the Bank as collateral for loans and off-balance sheet credit instruments granted by the Bank.

NOTE 15 – PROMISSORY NOTES

(Rs. in 000's)

	2007	2006
Promissory notes issued	**4,672**	*4,218*
	4,672	*4,218*

NOTE 16 – SUBORDINATED DEBT

(Rs. in 000's)

	2007	2006
Subordinated debt (ICICI Bank Limited)	**814,847**	*356,258*
	814,847	*356,258*

As at December 31, 2007 and 2006, the Bank had the following long-term loan subordinated debt outstanding:

Principal amount (in USD thousand)	Interest rate	Issue date	Maturity date	2007 (Rs. in 000's)	2006 (Rs. in 000's)
8,000	6.65%	30 March 2006	30 March 2016	**332,108**	*356,258*
12,000	7.06%	26 March 2007	27 March 2017	**482,739**	—

NOTE 17 – OTHER LIABILITIES

(Rs. in 000's)

	2007	2006
Deferred income received	**51,882**	—
Accrued compensation expenses	**3,206**	—
Taxes payable	**—**	*3,067*
Other	**1,099**	*348*
	56,187	*3,415*

NOTE 18 – NET ASSETS ATTRIBUTABLE TO PARTICIPANTS

Charter Capital represents contributions made by the participant of the Bank.

Under Russian legislation, a participant in a limited liability company has the unilateral right to withdraw from the company, in which case the company would be obliged to pay such withdrawing participant's share of the net assets of the company. As a result charter capital and retained earnings attributable to participants of the Bank have been presented as a liability in order to comply with the IAS 32 (revised 2003) "Financial Instruments: Disclosure and Presentation". Management of the Bank has not been advised of the intention of the participant to withdraw its capital from the Bank.

As at December 31, 2007 the Charter Capital of the Bank was Rs. 2,723,845 thousand (2006 Rs.: 1,744,682 thousand). During the year 2007 Charter Capital was increased by Rs. 979,163 thousand (2006 Rs.: 1,082,187 thousand).

In June 2006, the Bank received a contribution from the participant amounting to Rs. 34,860 thousand to comply with the depositary insurance requirements, which was treated as additional paid-in capital.

NOTE 19 – NET INTEREST INCOME

(Rs. in 000's)

	2007	2006
Interest income		
Loans to customers	**758,427**	*175,334*
Securities interest	**430,796**	*171,822*
Placements with banks and other financial institutions	**373,828**	*101,907*
	1,563,051	*449,063*
Interest expense		
Deposits and balances from banks and other financial institutions	**1,044,505**	*239,755*
Current accounts and deposits from customers	**19,026**	*350*
Promissory notes	**449**	*1,125*
	1,063,980	*241,230*

to, and forming part of financial statements for the year ended December 31, 2007

NOTE 20 – FEE AND COMMISSION INCOME

	2007	2006
		(Rs. in 000's)
Fees related to loans	**17,783**	*60,514*
Settlement fees	**10,593**	*4,165*
Currency exchange regulation	**5,977**	
Cash transaction fees	**5,745**	*2,679*
Agency services fee	**4,429**	*840*
Fee from deal passport maintenance	**2,990**	
Guarantee and letter of credit issuance fees	**1,246**	*4,898*
Underwriting and corporate finance fees	**686**	*2,172*
Other	**3,851**	*1,418*
	53,300	*76,686*

NOTE 21 – FEE AND COMMISSION EXPENSE

	2007	2006
		(Rs. in 000's)
Settlement fees	**1,641**	*537*
Participation fees	**1,118**	*388*
Cash transaction fees	**547**	*594*
Credit card maintenance fees	**167**	*76*
Other	**1,044**	*271*
	4,517	*1,866*

NOTE 22 – NET (LOSS)/INCOME ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS AND AVAILABLE-FOR-SALE ASSETS

	2007	2006
		(Rs. in 000's)
Unrealized loss on financial instruments at fair value through profit or loss	**(6,475)**	*5,652*
Realised loss financial instruments available-for-sale assets	**(5,362)**	—
	(11,837)	*5,652*

NOTE 23 – NET FOREIGN EXCHANGE INCOME

	2007	2006
		(Rs. in 000's)
Gain from translation of financial assets and liabilities	**183,623**	*31,284*
Loss on spot transactions and derivatives	**(172,922)**	*(24,997)*
	10,701	*6,287*

NOTE 24 – OTHER INCOME

	2007	2006
		(Rs. in 000's)
Income from sale of loans	**8,595**	—
Fines and penalties	**861**	—
Research and information services	**—**	*44,292*
Other	**777**	*1,247*
	10,233	*45,539*

NOTE 25 – NET IMPAIRMENT REVERSALS/(LOSSES)

	2007	2006
		(Rs. in 000's)
Impairment losses		
Loans to customers (Note 8)	**(39,619)**	—
Other assets (Note 12)	**—**	*(164)*
	(39,619)	*(164)*
Reversals of impairment losses		
Loans to customers (Note 8)	**—**	*1,065*
Other assets (Note 12)	**206**	—
	206	*1,065*
Net impairment reversal/(losses)	**(39,413)**	*901*

NOTE 26 – GENERAL ADMINISTRATIVE EXPENSES

	2007	2006
		(Rs. in 000's)
Employee compensation	**249,888**	*158,921*
Advertising and marketing	**78,323**	*2,964*
Rent	**59,022**	*45,050*
Operational taxes	**45,936**	*18,499*
Payroll related taxes	**29,423**	*19,344*
Repairs and maintenance	**27,413**	*19,252*
Professional services	**26,151**	*7,986*
Information and consultation services	**17,698**	*3,729*
Retail banking sales cost	**14,671**	*10,162*
Communications services	**12,508**	*7,100*
Depreciation and amortisation (Note 10)	**11,363**	*6,076*
Travel	**10,563**	*3,637*
Insurance	**801**	*1,727*
Other	**21,228**	*22,748*
	604,988	*327,195*

NOTE 27 – INCOME TAX (BENEFIT)/EXPENSE

	2007	2006
		(Rs. in 000's)
Current tax expense		
Current year	**45,186**	*19,576*
Over provided in prior years	**(2,006)**	—
	43,180	*19,576*
Deferred tax expense		
Deferred taxation movement due to origination and reversal of temporary differences and movement in valuation allowance	**(56,533)**	*(8,374)*
	(56,533)	*(8,374)*
Total income tax (benefit)/expense in the income statement	**(13,353)**	*11,202*

The Bank's applicable tax rate for current and deferred tax is 24% (2006: 24%).

Reconciliation of effective tax rate:

	2007		2006	
	(Rs. in 000's)	%	(Rs. in 000's)	%
(Loss)/income before tax	**(87,450)**		*13,837*	
Theoretical income tax expense/(benefit) at the applicable statutory rates	**(20,989)**	**24**	*3,321*	*24*
Tax effect of net non-deductible cost	**10,762**	**(12)**	*8,236*	*60*
Over provided in prior years	**(2,007)**	**2**	—	—
Tax effect of items taxed at lower rate	**(1,119)**	**1**	*(355)*	*(3)*
	(13,353)	**15**	*11,202*	*81*

NOTE 28 – RISK MANAGEMENT

Management of risk is fundamental to the business of banking and is an essential element of the Bank's operations. The major risks faced by the Bank are those related to market risk, which includes price, interest rate and currency risks, credit risk, liquidity risk and operational risk.

Risk management policies and procedures

The Bank's risk management policies aim to identify, analyse and manage the risks faced by the Bank, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice.

The Supervisory Board of the Bank has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.

The Executive Board of the Bank is responsible for monitoring and implementation of risk mitigation measures and making sure that the Bank operates within the established risk parameters. The Head of Risk Management Group of the Bank is responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. He reports directly to the President and CEO of the Bank.

Credit, market, liquidity and operational risks at portfolio and transactional levels are managed and controlled through a system of Credit Committees, Operational and Reputation Risk Management Committee, Product and Process Approval Committee and an Asset and Liability Management Committee. In order to facilitate efficient decision-making, the Bank has established a hierarchy of credit committees depending on the type and amount of the exposure.

Both external and internal risk factors are identified and managed throughout the Bank's organisational structure. Particular attention is given to developing risk maps that are used to identify the full range of risk factors and serve as a basis for determining the level of assurance over the current risk mitigation procedures. Apart from the standard credit and market risk analysis, the Risk Management Group monitors financial and non-financial risks by holding regular meetings with operational units in order to obtain expert judgments in their areas of expertise.

Market risk

Market risk is the risk that movements in market prices, including foreign exchange rates, interest rates, credit spreads and equity prices will affect the Bank's income or the value of its portfolios. Market risks comprise currency risk, interest rate risk and other price risk. Market risk arises from open positions in interest rate, currency and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimizing the return on risk.

Overall authority for market risk is vested in the Executive Board and Asset and Liability Committee (ALCO), both chaired by the President and CEO of Bank. Market risk limits are approved by ALCO and the Executive Board based on recommendations of the Risk Management Group.

The Bank manages its market risk by setting open position limits in relation to financial instrument, interest rate maturity and currency positions and stop-loss limits which are monitored on a regular basis and reviewed and approved by the Executive board.

The management of interest rates risk, component of market risk, by monitoring interest rate gaps is supplemented by monitoring the sensitivity of the Bank's net interest margin to various standard and non-standard interest rate scenarios.

The Bank also utilizes Value-at-Risk (VaR) methodology to monitor market risk of its trading positions.

Interest rate repricing risk

Interest rate repricing risk is the risk that movements in interest rates will affect the Bank's income or the value of its portfolios of financial instruments.

The Bank is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements arise.

Interest rate repricing risk arises when the actual or forecasted assets of a given maturity period are either greater or less than the actual or forecasted liabilities in that maturity period.

An analysis of sensitivity of the Bank's projected net income for the year and net assets attributable to participants to interest rate repricing risk based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at December 31, 2007 and December 31, 2006 is as follows:

	2007	*2006*
	Net income and net assets attributable to participants	*Net income and net assets attributable to participants*
100 bp parallel increase	**(23,932)**	*(11,359)*
100 bp parallel decrease	**23,932**	*11,359*

Currency risk

The Bank has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency. For further information on the Bank's exposure to currency risk at year end refer to Notes 7 and 37.

An analysis of sensitivity of the Bank's net income for the year and net asstets attributable to participants to changes in the foreign currency exchange rates based on positions existing as at December 31, 2007 and 2006 and a simplified scenario of a 5% change in USD and Euro to Russian Rouble exchange rates is as follows:

	2007	*2006*
	Net income and net assets attributable to participants	*Net income and net assets attributable to participants*
5% appreciation of USD against RUR	**(21,900)**	*(4,308)*
5% depreciation of USD against RUR	**21,900**	*4,308*
5% appreciation of EUR against RUR	**306**	*(66)*
5% depreciation of EUR against RUR	**(306)**	*66*

Fair value interest rate risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments traded in the market. Price risk arises when the Bank takes a long or short position in a financial instrument.

VaR is a technique that estimates the potential losses that could occur on risk positions as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence. The VaR model used by the Bank is based upon a 99 percent confidence level and assumes a 1 or 10-day holding period depending on the type of positions. The VaR model used is mainly based on historical simulation. The model derives plausible future scenarios based on historical market rate time series, taking into account inter-relationships between different markets and rates. Potential movements in market prices are determined with reference to market data from at least the last 12 months.

Although VaR is a valuable tool in measuring market risk exposures, it has a number of limitations, especially in less liquid markets:

- The use of historical data as a basis for determining future events may not encompass all possible scenarios, particularly those which are of an extreme nature.
- A 1 or 10-day holding period assumes that all positions can be liquidated or hedged within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period.
- The use of a 99% confidence level does not take into account losses that may occur beyond this level. There is a one percent probability that the loss could exceed the VaR.
- As VaR is only calculated on the end-of-day positions it does not necessarily reflect exposures that may arise on positions during the trading day.
- The VaR measure is dependent upon the Bank's position and the volatility of market prices. The VaR of an unchanged position reduces if market volatility declines and vice versa.

The Bank does not solely rely on its VaR calculations in its market risk measurement due to inherent risk of usage of VaR as described above. The limitations of the VaR methodology are recognized by supplementing VaR limits with other position and sensitivity limit structures, including limits to address potential concentration risks within each trading portfolio, and gap analysis.

A summary of the VaR estimates in respect of the Bank's portfolio of financial instruments at fair value through profit or loss as at December 31, 2007 is as follows:

	2007	*2006*
Fixed income securities interest rate risk	**35,851**	*52,210*
	35,851	*52,210*

Credit risk

Credit risk is the risk of financial loss occurring as a result of default by a borrower or counterparty on their obligation to the Bank. The Bank has developed policies and procedures for the management of credit exposures (both for on balance sheet and off balance sheet exposures), including guidelines to limit portfolio concentration and the establishment of a Credit Committee, which actively monitors the Bank's credit risk. The Bank's credit policy is reviewed and approved by the Supervisory Board.

The Bank's credit policy establishes:

- Procedures for review and approval of loan/credit applications;
- Credit rating framework;
- Formation of reserves (provisions);
- Assessment of pledges;
- Methodology for the credit assessment of borrowers (corporate, public and retail);
- Methodology for the credit assessment of counterparties, issuers and insurance companies;

- Methodology for the evaluation of collateral;
- Credit documentation requirements;
- Limits on portfolio concentrations;
- Procedures for the ongoing monitoring of loans and other credit exposures.

Corporate loan/credit applications are originated by the Corporate Credit Department, which is responsible for the Bank's corporate loan portfolio. Reports produced by the department's credit analysts are based on a structured analysis focusing on the customer's business and financial performance. The loan/credit application and the report are then independently reviewed by the Risk Management Group's Credit Risk Manager and a second opinion with a credit rating is given accompanied by a check that credit policy requirements have been met. The Credit Committee reviews the loan/credit application on the basis of submissions by the Corporate Credit Department and the Risk Management Group. Individual transactions are also reviewed by the Bank's Legal, Security and Accounting departments depending on the specific risks and pending final approval of the Credit Committee.

The Bank continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer's most recent financial statements and other information submitted by the borrower, or otherwise obtained by the Bank. The current market value of collateral is regularly assessed by the Bank's specialists, and in the event of negative movements in market prices the borrower is usually requested to put up additional security.

Retail loan/credit applications are reviewed by the Bank's respective retail lending division (Mortgages, Auto loans, Credit Cards) through the use of parameters, stipulated in the retail policies and application data verification procedures developed together with the Risk Management Group. Approval of retail transactions lies under different authorities depending on the amount and deviation from the policy.

Apart from individual customer analysis, the whole credit portfolio is assessed by the Risk Management Group with regard to credit concentration and market risks.

The Bank's maximum exposure to on balance sheet credit risk is generally reflected in the carrying amounts of financial assets on the balance sheet and off balance sheet exposures. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

The Bank monitors concentrations of credit risk by industry/sector and by geographic location. For the analysis of concentration of credit risk in respect of loans and advances to customers refer to Note 8 "Loans to customers".

Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in raising funds to meet its commitments. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of financial institutions, including the Bank. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The Bank maintains liquidity management with the objective of ensuring that funds will be available at all times to honor all cash flow obligations as they become due. The Bank's liquidity policy is reviewed and approved by the Executive Board.

The Bank seeks to actively support a diversified and stable funding base comprising long-term and short-term loans from other banks, core corporate and retail customer deposits, debt securities in issue accompanied by diversified portfolios of highly liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management policy of the Bank requires:

- projecting cash flows by major currencies and considering the level of liquid assets necessary in relation thereto;
- maintaining a diverse range of funding sources;
- managing the concentration and profile of debts;
- maintaining debt financing plans;
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow;
- maintaining liquidity and funding contingency plans;
- monitoring balance sheet liquidity ratios against regulatory requirements.

The Treasury Department receives information from business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The Treasury Department then provides for an adequate portfolio of short-term liquid assets to be maintained, largely made up of short-term liquid trading securities, loans to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole.

Under the normal market conditions, liquidity reports covering the liquidity position of the Bank are presented to senior management on a weekly basis. Decisions on the Bank's liquidity management are made by the Asset and Liability Management Committee and implemented by the Treasury Department.

The Bank also calculates mandatory liquidity ratios on a daily basis in accordance with the requirement of the Central Bank of Russia.

The following tables show the undiscounted cash flows on the Bank's financial liabilities and unrecognized loan commitments on the basis of their earliest possible contractual maturity. The total gross amount (inflow)/outflow disclosed in the table is the contractual, undiscounted cash flow on the financial liability or commitment. The Bank's expected cash flows on these financial liabilities and unrecognized loan commitments may vary significantly from this analysis.

The position of the Bank as at December 31, 2007 was as follows:

(Rs. in 000's)

	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount outflow/ (inflow)	Carrying amount
Non-derivative liabilities							
Deposits and balances from banks and other financial institutions	**3,977,408**	**7,667,478**	**4,546,178**	**4,870,797**	**5,693,712**	**26,755,573**	**25,961,158**
Current accounts and deposits from customers	**601,826**	**50,571**	**15,738**	**130,049**	**44,982**	**843,166**	**824,097**
Promissory notes	**—**	**—**	**4,528**	**—**	**406**	**4,934**	**4,672**
Subordinated debt	**—**	**37,755**	**—**	**16,741**	**1,246,702**	**1,301,198**	**814,847**
Other liabilities	**200**	**901**	**—**	**—**	**—**	**1,101**	**56,187**
Derivative liabilities							
- Inflow	**(2,754,762)**	**(394,997)**	**(157,999)**	**(2,148,459)**	**—**	**(5,456,217)**	**(29,865)**
- Outflow	**2,752,561**	**410,756**	**157,669**	**2,166,234**	**—**	**5,487,220**	**62,181**
Total	**4,577,233**	**7,772,464**	**4,566,114**	**5,035,362**	**6,985,802**	**28,936,975**	**27,693,277**
Credit related commitments	**141,883**	**—**	**—**	**—**	**964,159**	**1,106,042**	**1,106,042**

The position of the Bank as at December 31, 2006 was as follows:

(Rs. in 000's)

	Demand and less than 1 month	*From 1 to 3 months*	*From 3 to 6 months*	*From 6 to 12 months*	*More than 1 year*	*Total gross amount outflow/ (inflow)*	*Carrying amount*
Non-derivative liabilities							
Deposits and balances from banks and other financial institutions	*1,208,265*	*3,414,851*	*2,872,613*	*2,299,125*	*1,657,206*	*11,452,060*	*10,993,499*
Current accounts and deposits from customers	*381,268*	*6,628*	*1,321*	*4,200*	—	*393,417*	*393,185*
Promissory notes	—	—	—	—	*4,932*	*4,932*	*4,218*
Subordinated debt	—	*22,542*	—	—	*541,853*	*564,395*	*356,258*
Other liabilities	—	*3,415*	—	—	—	*3,415*	*3,415*
Derivative liabilities	—						
- Inflow	*(1,644,593)*	*(233,315)*	*(495,732)*	—	—	*(2,373,640)*	—
- Outflow	*1,646,374*	*233,196*	*496,430*	—	—	*2,376,000*	*3,191*
Total	*1,591,314*	*3,447,317*	*2,874,632*	*2,303,325*	*2,203,991*	*12,420,579*	*11,753,766*
Credit related commitments	*123,347*	*423,720*	—	—	*254,239*	*801,306*	*801,306*

For further information on the Bank's exposure to liquidity risk at year end refer to Note 36.

Operational and other risks management

Management of operational risk is based on the "Operational risk management policy" approved by the Supervisory Board. This document requires the following activities to be performed:

- Identification of operational risks (during creating / changing of Bank's products and procedures as well as during separately executed analysis of actual transactions);
- Assessment and measurement of operational risks (including Risk and Control Self-Assessment, while creating and changing of the internal documents for performing the operations in the Bank and its Branches);
- Monitoring of operational risks (operational loss data collection within and outside the Bank and Key Risk Indicators framework implemented on several levels);
- Operational risk management based on existing informational flows in the Bank (including maintenance of analytical database, ensuring necessary reporting as well as creating, implementation and testing of plans aimed at mitigation of operational risks within approved risk profile and ensuring contingency of Bank's transactions);
- Calculation of capital to be allocated for operational risks based on requirements of Basel Committee on Banking Supervision, Reserve Bank of India (acting as regulator for the Sole Participant – ICICI Bank Ltd.) and Central Bank of Russia;

- Training of all Bank employees and ensuring their participation in operational risks management with proper responsibility and delegation of powers matrix established for management and governing bodies of the Bank.

Reputation risk management

The Reputation Risk Management Policy provides for establishing and monitoring of limits for main indicators for such kind of risks. The Bank has specially created Operational and Reputation Risks Management Committee. Additionally within the operational risk management framework the approach to legal risk management based on the same principals. developed policy defines the interaction of Bank's Group during identification, assessment, mitigation and control of legal risks.

NOTE 29 – CAPITAL MANAGEMENT

The Central Bank of Russia sets and monitors capital requirements for the Bank.

The Bank defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the Central Bank of Russia banks have to maintain a ratio of capital to risk weighted assets ("statutory capital ratio") above the prescribed minimum level. As at 31 December 2007, this minimum level is 10%. The Bank was in compliance with the statutory capital ratio during the years ended December 31, 2006 and December 31, 2007.

The Bank also monitors its capital adequacy levels calculated in accordance with the requirements of the Basle Accord, as defined in the International Convergence of Capital Measurement and Capital Standards (updated April 1998) and Amendment to the Capital Accord to incorporate market risks (updated November 2007), commonly known as Basel I.

The following table shows the composition of the Bank's capital position calculated in accordance with the requirements of the Basle Accord, as at December 31, 2007:

(Rs. in 000's)

	2007	*2006*
Tier 1 capital		
Charter Capital	**2,723,845**	*1,744,682*
Additional paid-in capital	**270,576**	*270,576*
Retained earnings	**(214,226)**	*(140,129)*
Net unrealised losses on available-for-sale assets	**(24,112)**	*(11,893)*
Total tier 1 capital	**2,756,083**	*1,863,236*
Tier 2 capital		
Subordinated debt (unamortized portion)	**814,847**	*356,258*
Total tier 2 capital	**814,847**	*356,258*
Total capital	**3,570,930**	*2,219,494*
Risk-weighted assets		
Banking book	**14,070,994**	*6,235,269*
Trading book	**6,879,681**	*5,885,950*
Total risk weighted assets	**20,950,675**	*12,121,219*
Total capital expressed as a percentage of risk-weighted assets ("total capital ratio")	**17.04**	*18.31*
Total tier 1 capital expressed as a percentage of risk-weighted assets ("tier 1 capital ratio")	**13.16**	*15.37*

The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature of – and reflecting an estimate of credit, market and other risks associated with – each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

NOTE 30 – COMMITMENTS

At any time the Bank has outstanding commitments to extend credit. These commitments take the form of approved loans and credit card limits and overdraft facilities.

The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years. The Bank also provides guarantees by acting as settlement agent in securities borrowing and lending transactions.

The contractual amounts of commitments are set out in the following table by category. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the balance sheet date if counterparties failed completely to perform as contracted.

(Rs. in 000's)

	2007	*2006*
Contracted amount		
Loan and credit line commitments	**964,159**	*750,373*
Credit card commitments	**141,883**	*50,933*
Guarantees and letters of credit	**35,383**	*92,498*

The total outstanding contractual commitments to extend credit indicated above does not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded.

NOTE 31 – OPERATING LEASES

Leases as lessee

Non-cancelable operating lease rentals are payable as follows:

(Rs. in 000's)

	2007	*2006*
Less than one year	**34,041**	*33,272*
Between one and five years	**127,471**	*134,944*
More than five years	**—**	*31,777*
	161,512	*199,993*

The Bank leases a number of premises under operating lease. The leases typically run for an initial period of five to ten years, with an option to renew the lease after that date. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

NOTE 32 – CONTINGENCIES

Insurance

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Bank does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on the Bank's property or relating to the Bank's operations. Until the Bank obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Bank's operations and financial position.

Litigation

In the ordinary course of business, the Bank is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints, will not have a material adverse effect on the financial conditions of the results of future operations of the Bank.

Taxation contingencies

The taxation system in the Russian Federation is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

NOTE 33 – RELATED PARTY TRANSACTIONS

Control relationships

The party with ultimate control over the Bank and its direct parent company is ICICI Bank Limited, India, which produces publicly available financial statements.

Transactions with members of the Board of Directors and the Management Board

Total remuneration included in employee compensation and payroll related taxes (refer Note 26):

(Rs. in 000's)

	2007	*2006*
Members of the Board of Directors	**13,965**	*14,118*
Members of the Management Board	**7,290**	*6,006*
	21,255	*20,124*

The above amounts include employee compensation and payroll related taxes in respect of members of the Board of Directors and Management Board.

The outstanding balances and average interest rates as of December 31, 2007 and 2006 with members of the Board of Directors and Management Board are as follows:

	2007		*2006*	
	(Rs. in 000's)	Average Interest Rate	*(Rs. in 000's)*	*Average Interest Rate*
Balance Sheet				
Assets				
Loans to customers	254	24.00%	*785*	*9.00%*
Liabilities				
Current accounts and deposits from customers	3,408	9.36%	—	—

Amounts included in the income statement in relation to transactions with members of the Board of Directors and Management Board is as follows:

	2007	*2006*
		(Rs. in 000's)
Income statement		
Interest income	**29**	*31*
Interest expense	**(100)**	—

Transactions with other related parties

The outstanding balances and the related average interest rates as of December 31, 2007 and related income statement amounts of transactions for the year ended December 31, 2007 with other related parties are as follows. Other related parties are ICICI Bank Limited (India) and ICICI Bank UK Limited (Great Britain).

	Parent company		Other subsidiaries of the Parent company		Total
	(Rs. in 000's)	Average Interest Rate	(Rs. in 000's)	Average Interest Rate	(Rs. in 000's)
Balance Sheet					
Assets					
Placements with banks and other financial institutions	7,092	—	967	—	8,059
Liabilities					
Financial instruments at fair value through profit or loss	10,325	—	—	—	10,325
Deposits and balances from banks and other financial institutions	19,333,970	7.01%	2,649,784	6.35%	21,983,754
Subordinated debt	814,847	6.90%	—	—	814,847
Income statement					
Interest income	101	—	—	—	101
Interest expense	(861,701)	—	(112,156)	—	(973,857)
Net loss on financial instruments at fair value through profit or loss	(10,325)	—	—	—	(10,325)

The outstanding balances and the related average interest rates as of December 31, 2006 and related income statement amounts of transactions for the year ended December 31, 2006 with other related parties are as follows. Other related parties are ICICI Bank Limited (India) and ICICI Bank UK Limited (Great Britain).

	Parent company		Other subsidiaries of the Parent company		Total
	(Rs. in 000's)	Average Interest Rate	(Rs. in 000's)	Average Interest Rate	(Rs. in 000's)
Balance Sheet					
Assets					
Placements with banks and other financial institutions	—	—	2,124	—	2,124
Liabilities					
Deposits and balances from banks and other financial institutions	9,436,624	5.99%	843,433	6.02%	10,280,057
Subordinated debt	356,258	6.65%	—	—	356,258
Income statement					
Interest expense	(222,834)	—	(11,454)	—	(234,288)
Other income	44,292	—	3,181	—	47,473

NOTE 34 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair values of the Bank's financial assets and liabilities, as required to be disclosed by IAS 32 Financial Instruments: Disclosure and Presentation, are as follows:

The estimated fair values of financial instruments at fair value through profit or loss and quoted available-for-sale assets are based on quoted market prices at the balance sheet date without any deduction for transaction costs.

The estimated fair values of all other financial assets and liabilities are calculated using pricing model and discounted cash flow techniques based on estimated future cash flows and discount rates for a similar instruments at the balance sheet date.

The estimated fair values of all financial instruments approximates their carrying values.

Management believes that the fair values of all financial instruments do not differ significantly from their carrying values.

The estimates of fair value are intended to approximate the amount for which a financial instrument could be exchanged between knowledgeable, willing parties in an arm's length transaction. However given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

NOTE 35 – AVERAGE EFFECTIVE INTEREST RATES

The table below displays the Bank's interest bearing assets and liabilities as at December 31, 2006 and 2005 and their corresponding average effective interest rates as at that date.

	2007		*2006*	
	Value (Rs. in 000's)	Average Effective Interest Rate	*Value (Rs. in 000's)*	*Average Effective Interest Rate*
Interest Bearing Assets				
Placements with banks and other financial institutions				
Nostro accounts				
– RUR	**18,676**	**—**	*2,666*	*0.97%*
– USD	**808,040**	**—**	*845,673*	*4.48%*
– other currencies	**17,099**	**—**	*3,222*	—
Loans and deposits				
– RUR	**420,437**	**8.22%**	*324,804*	*7.62%*
– USD	**10,145,700**	**5.14%**	*2,152,038*	*6.57%*
Financial instruments at fair value through profit or loss				
– RUR	**1,128,946**	**9.03%**	*1,491,204*	*9.72%*
– USD	**165,155**	**8.63%**	*180,661*	*8.91%*
Loans to customers				
– RUR	**961,199**	**10.20%**	*530,416*	*10.54%*
– USD	**10,001,032**	**8.05%**	*4,133,909*	*8.73%*
– other currencies	**968,555**	**8.67%**	*423,695*	*6.98%*
Available-for-sale assets				
– RUR	**3,943,502**	**8.74%**	*2,130,167*	*9.26%*
– USD	**431,393**	**8.70%**	*625,861*	*9.08%*
– other currencies	**—**	**—**	*244,312*	*9.69%*
Interest bearing liabilities				
Deposits and balances from banks and other financial institutions				
Term deposits				
– RUR	**1,707,688**	**3.79%**	*418,783*	*5.30%*
– USD	**21,842,705**	**6.14%**	*10,007,816*	*5.99%*
– other currencies	**2,410,765**	**2.70%**	*566,900*	*5.62%*
Subordinated debt				
– USD	**814,847**	**6.90%**	*356,258*	*6.65%*
Current accounts and deposits from customers				
Current accounts and demand deposits				
– RUR	**468,816**	**—**	*303,032*	—
– USD	**63,568**	**—**	*72,311*	—
– other currencies	**1,453**	**—**	*1,170*	—
Term deposits				
– RUR	**154,263**	**9.33%**	*2,349*	*5.49%*
– USD	**121,160**	**6.79%**	*2,956*	*5.02%*
– other currencies	**5,243**	**5.24%**	*1,237*	*4.12%*
Collateral for letters of credit				
– USD	**9,594**	**—**	*10,130*	—
Promissory notes				
– RUR	**4,474**	**13.50%**	*4,041*	*13.50%*
– other currencies	**198**	**10.00%**	*177*	*10.00%*

NOTE 36 – MATURITY ANALYSIS

The table below summarises the Bank's assets and liabilities by remaining contractual maturity dates as at December 31, 2007.

(Rs. in 000's)

	Demand and less than 1 Month	1 to 3 Months	3 months to 1 year	1 to 5 years	More than 5 years	No maturity	Total
Assets							
Cash and cash equivalents	851,444	—	—	—	—	—	851,444
Minimum reserve deposit at the Central Bank of the Russian Federation	51,594	86,174	104,255	61,289	—	—	303,312
Placements with banks and other financial institutions	7,420,879	643,600	2,936,739	408,734	—	—	11,409,952
Financial instruments at fair value through profit or loss	25,108	—	183,539	952,267	163,052	—	1,323,966
Loans to customers	160,862	337,488	3,676,261	4,817,221	2,938,954	—	11,930,786
Available-for-sale assets	138,048	215,070	356,790	3,502,149	162,838	—	4,374,895
Property and equipment	—	—	—	—	—	87,119	87,119
Deferred tax asset	—	—	—	—	—	73,978	73,978
Other assets	1,830	3,368	51,485	53,810	11,733	1,547	123,773
Total assets	8,649,765	1,285,700	7,309,069	9,795,470	3,276,577	162,644	30,479,225
Liabilities							
Financial instruments at fair value through profit or loss	21,826	16,856	23,499	—	—	—	62,181
Deposits and balances from banks and other financial institutions	3,956,746	7,560,009	9,072,504	5,371,899	—	—	25,961,158
Current accounts and deposits from customers	599,565	50,045	134,262	40,225	—	—	824,097
Promissory notes	—	4,474	—	—	198	—	4,672
Subordinated debt	—	—	—	—	814,847	—	814,847
Other liabilities	731	2,782	9,781	32,670	7,021	3,202	56,187
Total liabilities, other than net assets attributable to participants	4,578,868	7,634,166	9,240,046	5,444,794	822,066	3,202	27,723,142
Net position as at December 31, 2007	4,070,897	(6,348,466)	(1,930,977)	4,350,676	2,454,511	159,442	2,756,083
Net position as at December 31, 2006	*82,106*	*(2,989,498)*	*(917,485)*	*4,910,561*	*463,675*	*313,877*	*1,863,236*

The table below summarises the Bank's assets and liabilities by date of repricing as at December 31, 2007.

(Rs. in 000's)

	Demand and less than 1 Month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non-interest bearing	Total
Assets							
Cash and cash equivalents	—	—	—	—	—	851,444	851,444
Minimum reserve deposit at the Central Bank of the Russian Federation	—	—	—	—	—	303,312	303,312
Placements with banks and other financial institutions	7,420,881	1,604,728	2,381,573	2,770	—	—	11,409,952
Financial instruments at fair value through profit or loss	—	—	178,782	952,267	163,052	29,865	1,323,966
Loans to customers	3,167,102	3,233,317	2,031,235	1,197,361	2,301,771	—	11,930,786
Available-for-sale assets	138,048	215,070	356,790	3,502,149	162,838	—	4,374,895
Property and equipment	—	—	—	—	—	87,119	87,119
Deferred tax asset	—	—	—	—	—	73,978	73,978
Other assets	—	—	—	—	—	123,773	123,773
Total assets	10,726,031	5,053,115	4,948,380	5,654,547	2,627,661	1,469,491	30,479,225
Liabilities							
Financial instruments at fair value through profit or loss	—	—	—	—	—	62,181	62,181
Deposits and balances from banks and other financial institutions	5,340,753	13,894,859	6,725,546	—	—	—	25,961,158
Current accounts and deposits from customers	599,565	50,045	134,262	40,225	—	—	824,097
Promissory notes	—	4,474	—	—	198	—	4,672
Subordinated debt	—	—	—	332,108	482,739	—	814,847
Other liabilities	—	—	—	—	—	56,187	56,187
Total liabilities, other than net assets attributable to participants	5,940,318	13,949,378	6,859,808	372,333	482,937	118,368	27,723,142
Net position as at December 31, 2007	4,785,713	(8,896,263)	(1,911,428)	5,282,214	2,144,724	1,351,123	2,756,083
Net position as at December 31, 2006	*2,203,700*	*(3,404,037)*	*(2,019,054)*	*4,160,281*	*400,580*	*521,766*	*1,863,236*

NOTE 37 – CURRENCY ANALYSIS

The following table shows the currency structure of assets and liabilities at December 31, 2007:

(Rs. in 000's)

	RUR	USD	EUR	Other currencies	Total
Assets					
Cash and cash equivalents	696,753	143,854	10,837	—	851,444
Minimum reserve deposit at the Central Bank of the Russian Federation	303,312	—	—	—	303,312
Placements with banks and other financial institutions	439,114	10,953,739	4,116	12,983	11,409,952
Financial instruments at fair value through profit or loss	1,128,946	172,170	—	22,850	1,323,966
Loans to customers	961,199	10,001,032	—	968,555	11,930,786
Available-for-sale assets	3,943,502	431,393	—	—	4,374,895
Property and equipment	87,119	—	—	—	87,119
Deferred tax asset	73,978	—	—	—	73,978
Other assets	122,895	869	—	9	123,773
Total assets	7,756,818	21,703,057	14,953	1,004,397	30,479,225
Liabilities					
Financial instruments at fair value through profit or loss	—	51,858	—	10,323	62,181
Deposits and balances from banks and other financial institutions	1,707,688	21,842,705	—	2,410,765	25,961,158
Current accounts and deposits from customers	623,079	194,322	6,696	—	824,097
Promissory notes	4,474	—	198	—	4,672
Subordinated debt	—	814,847	—	—	814,847
Other liabilities	4,992	51,195	—	—	56,187
Total liabilities, other than net assets attributable to participants	2,340,233	22,954,927	6,894	2,421,088	27,723,142
Net on balance sheet position as of December 31, 2007	5,416,585	(1,251,870)	8,059	(1,416,691)	2,756,083
Net off balance sheet position as of December 31, 2007	(2,093, 487)	675,584	—	1,417,903	—
Net on and off balance sheet positions as of December 31, 2007	3,323,098	(576,286)	8,059	1,212	2,756,083
Net on and off balance sheet positions as of December 31, 2006	*1,977,626*	*(113,346)*	*(1,735)*	*691*	*1,863,236*