

auditors' report

to the members of ICICI BANK LIMITED

1. We have audited the attached Balance Sheet of ICICI Bank Limited (the 'Bank') as at March 31, 2004 and also the profit and loss account and cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit. Incorporated in the said financial statements is the return of one foreign branch audited by another firm of independent accountants.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. The balance sheet and profit and loss account are drawn up in conformity with Forms A and B (revised) of the Third Schedule to the Banking Regulation Act, 1949, read with Section 211 of the Companies Act, 1956.
4. We report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory;
 - b) In our opinion, the transactions of the Bank which have come to our notice have been within its powers;
 - c) In our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from the foreign branch not visited by us. The audited returns of the foreign branch has been forwarded to us and has been appropriately dealt with;
 - d) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - e) In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, insofar as they apply to the Bank;
 - f) On the basis of written representations received from the directors, as on March 31, 2004, and taken on record by the Board of Directors, we report that none of the directors is disqualified from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - g) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required for banking companies, and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - i. in case of the balance sheet, of the state of the affairs of the Bank as at March 31, 2004;
 - ii. in case of the profit and loss account, of the profit for the year ended on that date; and
 - iii. in case of cash flow statement, of the cash flows for the year ended on that date.

For S.R. BATLIBOI & CO.
Chartered Accountants

per VIREN H. MEHTA
a Partner

Membership No.: 048749

April 30, 2004

balance sheet



as on March 31, 2004

	Schedule	(Rs. in '000s)	As on 31.03.2003
CAPITAL AND LIABILITIES			
Capital	1	9,664,012	9,626,600
Reserves and Surplus	2	73,941,561	63,206,538
Deposits	3	681,085,845	481,693,063
Borrowings	4	307,402,393	343,024,203
Other liabilities and provisions	5	180,194,930	170,569,258
TOTAL		<u>1,252,288,741</u>	<u>1,068,119,662</u>
ASSETS			
Cash and balance with Reserve Bank of India	6	54,079,966	48,861,445
Balances with banks and money at call and short notice	7	30,626,378	16,028,581
Investments	8	427,428,614	354,623,002
Advances	9	620,955,196	532,794,144
Fixed Assets	10	40,564,141	40,607,274
Other Assets	11	78,634,446	75,205,216
TOTAL		<u>1,252,288,741</u>	<u>1,068,119,662</u>
Contingent liabilities	12	2,029,419,027	894,385,070
Bills for collection		15,109,352	13,367,843
Significant Accounting Policies and Notes to Accounts	18		

The Schedules referred to above form an integral part of the Balance Sheet.

As per our Report of even date

For and on behalf of the Board of Directors

For S. R. BATLIBOI & CO.
Chartered Accountants

N. VAGHUL
Chairman

K. V. KAMATH
Managing Director & CEO

per VIREN H. MEHTA
a Partner

LALITA D. GUPTA
Joint Managing Director

KALPANA MORPARIA
Deputy Managing Director

CHANDA D. KOCHHAR
Executive Director

NACHIKET MOR
Executive Director

Place : Mumbai
Date : April 30, 2004

JYOTIN MEHTA
General Manager &
Company Secretary

N. S. KANNAN
Chief Financial Officer &
Treasurer

G. VENKATAKRISHNAN
General Manager -
Accounting & Taxation Group

profit and loss account

for the year ended March 31, 2004

	Schedule	(Rs. in '000s)	Year ended 31.03.2003
I. INCOME			
Interest earned	13	88,940,406	93,680,561
Other income	14	30,649,228	19,677,741
Profit on sale of shares of ICICI Bank Limited held by erstwhile ICICI Limited		—	11,910,517
TOTAL		119,589,634	125,268,819
II. EXPENDITURE			
Interest expended	15	70,152,492	79,439,989
Operating expenses	16	25,712,325	20,116,900
Provisions and contingencies	17	7,353,754	13,650,139
TOTAL		103,218,571	113,207,028
III. PROFIT/LOSS			
Net profit for the period/year		16,371,063	12,061,791
Profit brought forward		50,520	195,614
TOTAL		16,421,583	12,257,405
IV. APPROPRIATIONS/TRANSFERS			
Statutory Reserve		4,093,000	3,020,000
Transfer from Debenture Redemption Reserve		—	(100,000)
Capital Reserve		2,650,000	2,000,000
Investment Fluctuation Reserve		2,760,000	1,000,000
Special Reserve		250,000	500,000
Revenue and other Reserves		—	600,000
Proposed equity share Dividend		5,440,592	4,597,758
Proposed preference share Dividend		35	35
Corporate dividend tax		697,080	589,092
Balance carried over to Balance Sheet		530,876	50,520
TOTAL		16,421,583	12,257,405
Significant Accounting Policies and Notes to Accounts	18		
Earning per Share (Refer note B. 8)			
Basic (Rs.)		26.66	19.68
Diluted (Rs.)		26.44	19.65

The Schedules referred to above form an integral part of the Profit and Loss Account.

As per our Report of even date

For and on behalf of the Board of Directors

For S. R. BATLIBOI & CO.
Chartered Accountants

N. VAGHUL
Chairman

K. V. KAMATH
Managing Director & CEO

per VIREN H. MEHTA
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General Manager &
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General Manager -
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schedules



forming part of the Balance Sheet

(Rs. in '000s)

As on
31.03.2003

SCHEDULE 1 — CAPITAL

Authorised Capital

1,550,000,000 equity shares of Rs. 10 each [March 31, 2003: 1,550,000,000 equity shares of Rs. 10 each]	15,500,000	15,500,000
350 preference shares of Rs. 10 million each	3,500,000	3,500,000
Issued, Subscribed and Paid-up Capital		
613,021,301 (March 31, 2003: 613,031,404) equity shares of Rs. 10 each ¹ ..	6,130,213	6,130,314
Less: Calls unpaid	—	(3,744)
Add: Forfeited 13,103 (March 31, 2003: Nil) equity shares	93	—
Add: Issued 3,370,604 (March 31, 2003: 3,000) equity shares of Rs. 10 each on exercise of employee stock options	33,706	30
TOTAL	6,164,012	6,126,600

Preference Share Capital ²

[Represents face value of 350 preference shares of Rs. 10 million each issued to preference share holders of erstwhile ICICI Limited on amalgamation redeemable at par on April 20, 2018]	3,500,000	3,500,000
TOTAL	9,664,012	9,626,600

¹ Includes :-

- 31,818,180 underlying equity shares consequent to the ADS issue
- 23,539,800 equity shares issued to the equity share holders of Bank of Madura Limited on amalgamation
- 264,465,582 equity shares issued to the equity share holders [excluding ADS holders] of ICICI Limited on amalgamation
- 128,207,142 underlying equity shares issued to the ADS holders of ICICI Limited on amalgamation

² The notification from Ministry of Finance has currently exempted the Bank from the restriction of section 12 (1) of the Banking Regulation Act, 1949, which prohibits issue of preference shares by banks.

schedules

forming part of the Balance Sheet

Continued

(Rs. in '000s)

As on
31.03.2003

SCHEDULE 2 — RESERVES AND SURPLUS

I.	Statutory reserve		
	Opening balance	5,514,307	2,494,307
	Additions during the year	4,093,000	3,020,000
	Deductions during the year	—	—
	Closing balance	9,607,307	5,514,307
II.	Debenture redemption reserve		
	Opening balance	—	100,000
	Additions during the year	—	—
	Deductions during the year	—	100,000
	Closing balance	—	—
III.	Special reserve		
	Opening balance	11,440,000	10,940,000
	Additions during the year	250,000	500,000
	Deductions during the year	—	—
	Closing balance	11,690,000	11,440,000
IV.	Share premium		
	Opening balance *	8,045,721	8,021,352
	Additions during the year (on exercise of employee stock options)	477,583	285
	Deductions during the year	—	—
	Closing balance	8,523,304	8,021,637
V.	Investment fluctuation reserve		
	Opening balance	1,273,350	273,350
	Additions during the year	6,030,000	1,000,000
	Deductions during the year	—	—
	Closing balance	7,303,350	1,273,350
VI.	Capital reserve		
	Opening balance	2,000,000	—
	Additions during the year	2,650,000	2,000,000
	Deductions during the year	—	—
	Closing balance	4,650,000	2,000,000
VII.	Revenue and other reserves		
	Opening balance	34,906,724	34,306,724
	Additions during the year	—	600,000
	Deductions during the year	3,270,000	—
	Closing balance	31,636,724	34,906,724
VIII.	Balance in profit and loss account	530,876	50,520
	TOTAL	73,941,561	63,206,538

* Net of Share Premium in arrears Rs. Nil [March 31, 2003 Rs. 24.1 million]

schedules



forming part of the Balance Sheet

Continued

(Rs. in '000s)

As on
31.03.2003

SCHEDULE 3 — DEPOSITS

A.	I.	Demand deposits		
	i)	From banks	1,345,603	919,592
	ii)	From others	71,244,990	35,974,853
	II.	Savings bank deposits	83,720,260	37,932,081
	III.	Term deposits		
	i)	From banks	50,418,828	53,585,875
	ii)	From others	474,356,164	353,280,662
	TOTAL		681,085,845	481,693,063
B.	I.	Deposits of branches in India	670,287,519	481,693,063
	II.	Deposits of branches outside India	10,798,326	—
	TOTAL		681,085,845	481,693,063

SCHEDULE 4 — BORROWINGS

I. Borrowings in India

i)	Reserve Bank of India	—	—
ii)	Other banks	16,568,829	24,469,090
iii)	Other institutions and agencies		
	a) Government of India	4,411,459	5,210,408
	b) Financial Institutions	40,531,000	25,658,489
iv)	Borrowings in the form of		
	a) Deposits taken over from erstwhile ICICI Limited	3,098,362	5,062,808
	b) Commercial paper	—	—
	c) Bonds and debentures (excluding subordinated debt)		
	Debentures and bonds guaranteed by the Government of India	14,815,000	14,815,000
	Tax free bonds	—	800,000
	Borrowings under private placement of bonds carrying maturity of one to thirty years from the date of placement	48,150,574	91,339,109
	Bonds issued under multiple option/safety bonds series		
	— Regular interest bonds	10,953,604	16,722,052
	— Deep discount bonds	4,069,486	6,098,808
	— Bonds with premium warrants	685,670	588,947
	— Encash bonds	1,431,105	1,892,690
	— Tax saving bonds	84,889,030	80,125,313
	— Easy installment bonds	—	31,337
	— Pension bonds	56,896	54,469
d)	Application money pending allotment	—	11,238,896

II. Borrowings outside India

i)	From multilateral/bilateral credit agencies (guaranteed by the Government of India equivalent of Rs. 19,794.3 million)	24,403,563	25,417,795
ii)	From international banks, institutions and consortiums	35,111,989	27,947,996
iii)	By way of bonds and notes	18,225,826	5,550,996
	TOTAL	307,402,393	343,024,203

Secured borrowings in I and II above is Rs. NIL

schedules

forming part of the Balance Sheet

Continued

	(Rs. in '000s)	As on 31.03.2003
SCHEDULE 5 — OTHER LIABILITIES AND PROVISIONS		
I. Bills payable	16,852,843	10,305,536
II. Inter-office adjustments (net)	3,419,337	—
III. Interest accrued	13,561,305	16,191,657
IV. Unsecured Redeemable Debentures/Bonds	91,058,612	97,495,259
[Subordinated for Tier II Capital]		
V. Others		
a) Security deposits from clients	9,510,841	3,540,625
b) Sundry creditors	24,970,428	15,411,986
c) Received for disbursements under special program	2,730,091	2,548,454
d) Other Liabilities (including provisions) *	18,091,473	25,075,741
TOTAL	180,194,930	170,569,258

*Includes

- a) Proposed dividend Rs. 5,439.9 million [March 31, 2003 Rs. 4,597.8 million]
- b) Corporate dividend Tax payable Rs. 697.0 million [March 31, 2003 Rs. 589.1 million]
- c) Provision for standard assets Rs. 3,828.1 million [March 31, 2003 Rs. 3,078.1 million]

SCHEDULE 6 — CASH AND BALANCES WITH RESERVE BANK OF INDIA

I. Cash in hand (including foreign currency notes)	4,467,734	3,364,709
II. Balances with Reserve Bank of India in current accounts	49,612,232	45,496,736
TOTAL	54,079,966	48,861,445

SCHEDULE 7 — BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE

I. In India		
i) Balances with banks		
a) in Current Accounts	3,411,303	2,150,990
b) in Other Deposit Accounts	10,238,969	5,954,857
ii) Money at call and short notice		
a) with banks	—	1,925,000
b) with other institutions	—	3,227,500
TOTAL	13,650,272	13,258,347
II. Outside India		
i) in Current Accounts	2,877,153	910,655
ii) in Other Deposit Accounts	9,948,286	637,790
iii) money at call and short notice	4,150,667	1,221,789
TOTAL	16,976,106	2,770,234
GRAND TOTAL (I + II)	30,626,378	16,028,581

schedules



forming part of the Balance Sheet

Continued

(Rs. in '000s)

As on
31.03.2003

SCHEDULE 8 — INVESTMENTS [net of provisions]

I. Investments in India

i) Government securities	298,876,781	255,485,754
ii) Other approved securities	301,155	344,477
iii) Shares	16,842,660	16,424,107
iv) Debentures and Bonds	55,490,989	56,899,185
v) Subsidiaries and/or joint ventures	11,037,612	7,806,824
vi) Others (CPs, Mutual Fund Units, Pass through Certificates, Security Receipts etc.)	41,269,706	17,576,975
TOTAL	423,818,903	354,537,322

II. Investments outside India

i) Government securities	132,924	—
ii) Subsidiaries and/or joint ventures abroad	3,198,926	14,488
iii) Others	277,861	71,192
TOTAL	3,609,711	85,680
GRAND TOTAL (I + II)	427,428,614	354,623,002

SCHEDULE 9 — ADVANCES [net of provisions]

A. i) Bills purchased and discounted	12,308,603	4,376,415
ii) Cash credits, overdrafts and loans repayable on demand	60,978,735	31,340,244
iii) Term loans	534,286,332	489,028,169
iv) Securitisation, Finance lease and Hire Purchase receivables	13,381,526	8,049,316
TOTAL	620,955,196	532,794,144
B. i) Secured by tangible assets [includes advances against Book Debt]	568,010,325	500,684,919
ii) Covered by Bank/Government Guarantees	6,154,561	16,998,486
iii) Unsecured	46,790,310	15,110,739
TOTAL	620,955,196	532,794,144
C. I. Advances in India		
i) Priority Sector	145,307,396	89,376,024
ii) Public Sector	7,071,294	18,974,073
iii) Banks	433,504	1,013,245
iv) Others	457,505,090	422,894,675
TOTAL	610,317,284	532,258,017
II. Advances outside India		
i) Due from banks	—	—
ii) Due from others		
a) Bills purchased and discounted	5,958,406	—
b) Syndicated loans	1,962,537	—
c) Others	2,716,969	536,127
TOTAL	10,637,912	536,127
GRAND TOTAL (C. I and II)	620,955,196	532,794,144

schedules

forming part of the Balance Sheet

Continued

(Rs. in '000s)

As on
31.03.2003

SCHEDULE 10 — FIXED ASSETS

I. Premises

At cost as on March 31st, of preceding year	16,061,840	14,431,673
Additions during the year	939,989	*3,683,243
Deductions during the year	(332,847)	*(2,053,076)
Depreciation to date	(1,020,673)	(659,371)
Net block	15,648,309	15,402,469

II. Other fixed assets (including furniture and fixtures)

At cost as on March 31st, of preceding year	10,612,849	7,133,585
Additions during the year	3,121,078	*3,779,516
Deductions during the year	(146,146)	*(300,252)
Depreciation to date	(5,303,877)	(3,109,580)
Net block	8,283,904	7,503,269

III. Assets given on Lease

At cost as on March 31st, of preceding year	21,455,141	**23,377,605
Additions during the year	777,257	343,565
Deductions during the year	(1,587,161)	(2,266,029)
Depreciation to date, accumulated lease adjustment and provisions	(4,013,309)	(3,753,605)
Net block	16,631,928	17,701,536
TOTAL	40,564,141	40,607,274

* Includes adjustment amounting to Rs. 1,614.9 million on account of transfer to non banking assets in Schedule 11

** Includes repossessed Leased Asset Rs. 96.0 million.

SCHEDULE 11 — OTHER ASSETS

I. Inter-office adjustments (net)	—	1,034,655
II. Interest accrued	15,552,120	19,582,564
III. Tax paid in advance/tax deducted at source (net)	19,951,503	14,140,278
IV. Stationery and Stamps	3,600	8,084
V. Non-banking assets acquired in satisfaction of claims *	5,047,938	4,538,354
VI. Others		
a) Advance for capital assets	939,922	1,562,088
b) Outstanding fees and other Income	1,484,556	1,776,206
c) Exchange fluctuation suspense with Government of India	577,818	923,573
d) Swap suspense	677,012	128,667
e) Recoverable from subsidiary companies	161,296	182,276
f) Others **	34,238,681	31,328,471
TOTAL	78,634,446	75,205,216

* Includes

- assets amounting to Rs. Nil (March 31, 2003 Rs. 1,614.9 million) transferred from premises in Schedule 10.
- certain non-banking assets acquired in satisfaction of claims which are in the process of being transferred in the Bank's name.
- repossessed leased assets amounting to Rs. Nil (March 31, 2003 Rs. Nil)

** Includes

- Net Deferred Tax Asset of Rs. 4,429.7 million [March 31, 2003 Rs. 4,888.3 million]
- Unamortised costs on account of the early retirement option scheme offered to the employees of the bank of Rs. 1,654.0 million [March 31, 2003 Rs. Nil]

SCHEDULE 12 — CONTINGENT LIABILITIES

I. Claims against the Bank not acknowledged as debts	25,017,852	20,251,450
II. Liability for partly paid investments	1,241,429	1,804,936
III. Liability on account of outstanding forward exchange contracts	557,043,848	251,030,498
IV. Guarantees given on behalf of constituents		
a) In India	113,855,978	106,120,760
b) Outside India	6,433,971	227,521
V. Acceptances, endorsements and other obligations	65,141,996	43,251,942
VI. Currency Swaps	44,484,809	29,013,220
VII. Interest Rate Swaps & Currency options	1,177,640,840	413,544,698
VIII. Other items for which the Bank is contingently liable	38,558,304	29,140,045
TOTAL	2,029,419,027	894,385,070

schedules



forming part of the Profit and Loss Account

Continued

	(Rs. in '000s)	Year ended 31.03.2003
SCHEDULE 13 — INTEREST EARNED		
I. Interest/discount on advances/bills	60,738,528	60,162,439
II. Income on investments	24,317,401	29,104,415
III. Interest on balances with Reserve Bank of India and other inter-bank funds	2,106,345	2,355,668
IV. Others *	1,778,132	2,058,039
TOTAL	88,940,406	93,680,561
* Includes interest on income tax refunds Rs. 406.1 million (March 31, 2003: Rs. 242.9 million)		
SCHEDULE 14 — OTHER INCOME		
I. Commission, exchange and brokerage	10,717,982	7,917,880
II. Profit/(Loss) on sale of investments (net)	12,246,330	4,923,328
III. Profit/(Loss) on revaluation of investments (net)	—	1,076
IV. Profit/(Loss) on sale of land, buildings and other assets (net)	(31,966)	(65,038)
V. Profit/(Loss) on foreign exchange transactions (net) (including premium amortisation)	1,926,267	102,425
VI. Income earned by way of dividends, etc. from subsidiary companies and/or joint ventures abroad/ in India	1,261,730	1,094,239
VII. Miscellaneous Income (including lease income)	4,528,885	5,703,831
TOTAL	30,649,228	19,677,741
SCHEDULE 15 — INTEREST EXPENDED		
I. Interest on deposits	30,230,202	24,797,095
II. Interest on Reserve Bank of India/inter-bank borrowings	2,293,656	1,833,699
III. Others (including interest on borrowings of erstwhile ICICI Limited)* ..	37,628,634	52,809,195
TOTAL	70,152,492	79,439,989
* Includes expenses incurred to raise funds amounting to Rs. 297.4 million (March 31, 2003: Rs. 622.3 million)		
SCHEDULE 16 — OPERATING EXPENSES		
I. Payments to and provisions for employees	5,460,573	4,030,246
II. Rent, taxes and lighting	1,492,502	1,115,796
III. Printing and Stationery	861,008	747,174
IV. Advertisement and publicity	686,788	581,767
V. Depreciation on Bank's property (including non banking assets)	2,609,344	1,914,703
VI. Depreciation (including lease equalisation) on Leased assets	2,785,069	3,144,712
VII. Directors' fees, allowances and expenses	3,650	1,317
VIII. Auditors' fees and expenses	16,750	15,000
IX. Law Charges	86,895	85,153
X. Postages, Telegrams, Telephones etc.	1,415,019	1,041,519
XI. Repairs and maintenance	1,895,723	1,448,654
XII. Insurance	334,991	251,809
XIII. Other expenditure	8,064,013	5,739,050
TOTAL	25,712,325	20,116,900
SCHEDULE 17 — PROVISIONS AND CONTINGENCIES		
I. Income Tax		
- Current period tax	2,695,947	2,145,480
- Deferred tax adjustment	(68,800)	(6,425,900)
II. Wealth Tax	24,000	22,500
III. Provision for investments (including credit substitutes) (net)	(96,484)	3,094,311
IV. Provision for advances (net)*	3,841,155	13,209,848
V. Prudential provision on standard assets	750,000	1,540,000
VI. Others	207,936	63,900
	7,353,754	13,650,139
* Includes provision on non performing advances, non performing leased assets and other receivables		

SCHEDULE 18

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

Overview

ICICI Bank Limited ("ICICI Bank" or "the Bank"), incorporated in Vadodara, India is a publicly held bank engaged in providing a wide range of banking and financial services including commercial banking and treasury operations. ICICI Bank is a banking company governed by the Banking Regulation Act, 1949.

Basis of preparation

The accounting and reporting policies of ICICI Bank used in the preparation of these financial statements conform with Generally Accepted Accounting Principles ("GAAP") in India, the guidelines issued by the Reserve Bank of India ("RBI") from time to time and practices generally prevailing within the banking industry in India. The Bank follows the accrual method of accounting except where otherwise stated and historical cost convention.

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

Equity issue

The Board of Directors, pursuant to a resolution dated February 10, 2004, authorised an equity issue amounting to Rs. 30,500 million through a book built issue with a green shoe option of Rs. 4,500 million subject to the approval of shareholders under Section 81(1A) of the Companies Act, at the extraordinary general meeting to be held on March 12, 2004. The shareholders have pursuant to a resolution dated March 12, 2004 under Section 81(1A) of the Companies Act, authorised the issue and the green shoe option.

Subsequent to the balance sheet date the Bank has issued 108,928,571 equity shares of Rs.10 each at a premium of Rs. 270 per share aggregating to Rs. 30,500 million. The Bank has also over-allocated 16,071,429 equity shares of Rs.10 each at a price of Rs. 280 per equity share (fully paid up) under the green shoe option.

A. SIGNIFICANT ACCOUNTING POLICIES

1. Revenue Recognition

- a) Interest income is recognised in the profit and loss account as it accrues except in the case of non-performing assets where it is recognised upon realisation as per the prudential norms of the RBI. Accrual of income is also suspended considering economic conditions and other risk factors, on certain other loans, including certain projects under implementation, where the implementation has been significantly delayed and in the opinion of the management significant uncertainties exist as to the final financial closure and/or date of completion of the project.
- b) Income from hire purchase operations is accrued by applying the interest rate implicit on outstanding balances.
- c) Income from leases is calculated by applying the interest rate implicit in the lease to the net investment outstanding on the lease over the primary lease period. Leases effected from April 1, 2001 have been accounted as per Accounting Standard 19 on "Accounting for leases" issued by the Institute of Chartered Accountants of India ("ICAI").
- d) Income on discounted instruments is recognised over the tenure of the instrument on a constant yield basis.
- e) Dividend is accounted on an accrual basis when the right to receive the dividend is established.
- f) Fees received as a compensation of future interest sacrifice is amortised over the remaining period of the facility.
- g) Arranger's fee is accrued proportionately where more than 75% of the total amount of finance has been arranged.
- h) All other fees are recognised upfront on their becoming due.
- i) Income arising from sell down of loan assets is recognised upfront net of future servicing cost of assets sold, expected prepayment premia and projected delinquencies and included in interest income.
- j) Guarantee commission is recognised over the period of the guarantee.

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2. Investments

Investments are valued in accordance with the extant RBI guidelines on investment classification and valuation as under:

- a) All investments are categorised into 'Held to Maturity', 'Available for sale' and 'Trading'. Reclassifications, if any, in any category are accounted for as per the RBI guidelines. Under each category the investments are further classified under (a) Government securities (b) other approved securities (c) shares (d) bonds and debentures (e) subsidiaries and joint ventures and (f) others.
- b) 'Held to Maturity' securities are carried at their acquisition cost or at amortised cost if acquired at a premium over the face value. A provision is made for other than temporary diminution.
- c) 'Available for sale' and 'Trading' securities are valued periodically as per RBI guidelines.

The market/fair value for the purpose of periodical valuation of quoted investments included in the Available for Sale and Held for Trading categories is the market price of the scrip as available from the trades/quotes on the stock exchanges, SGL account transactions, price list of RBI or prices declared by Primary Dealers Association of India jointly with Fixed Income Money Market and Derivatives Association ("FIMMDA"), periodically.

The market/fair value of unquoted SLR securities included in the 'Available for Sale' and 'Trading' categories is as per the rates put out by FIMMDA.

The valuation of non-SLR securities, other than those quoted on the stock exchanges, wherever linked to the Yield-to-Maturity ("YTM") rates, is with a mark-up (reflecting associated credit risk) over the YTM rates for government securities put out by FIMMDA.

The unquoted equity shares are valued at the book value, if the latest balance sheet is available or at Re. 1.

Securities are valued scrip-wise and depreciation/appreciation aggregated for each category. Net appreciation in each basket if any, being unrealised, is ignored, while net depreciation is provided for.

- d) Costs such as brokerage, commission etc., pertaining to investments, paid at the time of acquisition, are charged to revenue.
- e) Broken period interest on debt instruments is treated as a revenue item.
- f) Investments in subsidiaries/joint ventures are categorised as 'Held to Maturity' in accordance with the RBI guidelines.
- g) Profit on sale of investment in the 'Held to Maturity' category is credited to the revenue account and thereafter is appropriated, (net of applicable taxes and statutory reserve requirements) to capital reserve.
- h) At each reporting year-end, security receipts issued by the asset reconstruction company are valued in accordance with the guidelines applicable to non-SLR instruments prescribed by RBI from time to time. Accordingly, in case where the security receipts issued by the asset reconstruction company are limited to the actual realisation of the financial assets assigned to the instruments in the concerned scheme, the Bank reckons the Net Asset Value ("NAV"), obtained from the asset reconstruction company from time to time, for valuation of such investments at each reporting period end.

3. Provisions/Write-offs on loans and other credit facilities

- a) All credit exposures are classified as per the RBI guidelines, into performing and non-performing assets. Further, non-performing assets are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by the RBI. Provisions are made on substandard and doubtful assets at rates equal to or higher than those prescribed by the RBI. The secured portion of the substandard and doubtful assets is provided for at 50% over a three-year period instead of five and a half years as prescribed by the RBI. Loss assets and unsecured portion of doubtful assets are fully provided/written off. Additional provisions are made against specific non-performing assets over and above what is stated above, if in the opinion of the management, increased provisions are necessary.
- b) For restructured/rescheduled assets, provision is made in accordance with the guidelines issued by the RBI, which requires the present value of the interest sacrifice be provided at the time of restructuring.
- c) In the case of other than restructured loan accounts classified as NPAs, the account is reclassified as "standard" account if arrears of interest and principal are fully paid by the borrower.

In respect of non-performing loan accounts subject to restructuring, asset category is upgraded to standard account if the borrower demonstrates, over a minimum period of one year, the ability to repay the loan in accordance with the contractual terms.

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- d) The Bank has incorporated the assets taken over from erstwhile ICICI Limited ("ICICI") in its books at carrying values as appearing in the books of ICICI with a provision made based on the fair valuation exercise carried out by an independent firm. To the extent future provisions are required on the assets taken over from ICICI, the provision created on fair valuation of the assets at the time of the amalgamation is used.
- e) Amounts recovered against other debts written off in earlier years and provisions no longer considered necessary in the context of the current status of the borrower are recognised in the Profit and Loss Account.
- f) In addition to the general provision of 0.25% made on standard assets in accordance with the RBI guidelines, the Bank maintains general provisions to cover potential credit losses which are inherent in any loan portfolio but not identified. For standard assets, additional general provisions are determined having regard to overall portfolio quality, asset growth, economic conditions and other risk factors.
- g) In addition to the provisions required to be held according to the asset classification status, provisions are held for individual country exposure (other than for home country). The countries are categorised into seven risk categories namely insignificant, low, moderate, high, very high, restricted and off-credit and provisioning made on exposures exceeding 90 days on a graded scale ranging from 0.25% to 100%. For exposures with contractual maturity of less than 90 days, 25% of the normal provision requirement is held. If the country exposure (net) of the Bank in respect of each country does not exceed 2% of the total funded assets, no provision is maintained on such country exposure.

4. Fixed assets and depreciation

- a) Premises and other fixed assets are carried at cost less accumulated depreciation. Depreciation is charged over the estimated useful life of a fixed asset on a "straight line" basis. The rates of depreciation for fixed assets, which are not lower than the rates prescribed in Schedule XIV of the Companies Act, 1956, are as follows:

Asset	Depreciation Rate
Premises owned by the Bank	1.63%
Improvements to leasehold premises	1.63% or over the lease period, whichever is higher
ATMs	12.50%
Plant and machinery like air conditioners, xerox machines, etc.	10%
Furniture and fixtures	15%
Motor vehicles	20%
Computers	33.33%
Others (including software and system development expenses)	25%

- b) Depreciation on leased assets is made on a straight-line basis at the higher of the rates determined with reference to the primary period of lease and the rates specified in Schedule XIV to the Companies Act, 1956.
- c) Assets purchased/sold during the year are depreciated on the basis of actual number of days the asset has been put to use.
- d) Items costing less than Rs. 5,000 are depreciated at the rate of 100%.

5. Foreign currency transactions

- a) Income and expenditure items are translated at the exchange rates prevailing on the date of the transaction. Monetary assets and liabilities are translated at closing exchange rates notified by the Foreign Exchange Dealers' Association of India ("FEDAI") at the balance sheet date and the resulting profits/losses are included in the profit and loss account.
- b) Outstanding forward exchange contracts are stated at contracted rates and are revalued at the exchange rates notified by FEDAI for specified maturities and at interpolated rates for contracts of in-between maturities. The resultant gains or losses are recognised in the profit and loss account.
- c) Contingent Liabilities on account of guarantees, endorsements and other obligations are stated at the exchange rates notified by FEDAI at the balance sheet date.

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6. Accounting for Derivative Contracts

The Bank enters into derivative contracts such as foreign currency options, interest rate and currency swaps and cross currency interest rate swaps to hedge on-balance sheet assets and liabilities or for trading purposes.

The swap contracts entered to hedge on-balance sheet assets and liabilities are structured in such a way that they bear an opposite and offsetting impact with the underlying on-balance sheet items. The impact of such derivative instruments are correlated with the movement of underlying assets and accounted pursuant to the principles of hedge accounting.

Trading swaps and foreign currency options, outstanding at the balance sheet date are marked to market and the resulting loss, if any, is recorded in the profit and loss account.

7. Employee Stock Option Scheme ("ESOS")

The Bank has formulated an Employees Stock Option Scheme. The scheme provides that employees are granted an option to acquire equity shares of the Bank that vests in graded manner. The options may be exercised within a specified period. The Bank follows the intrinsic value method for computing the compensation cost, if any, for all options granted.

8. Staff Retirement Benefits

For employees covered under group gratuity scheme and group superannuation scheme of LIC, gratuity and superannuation charge to profit and loss account is on the basis of premium charged by LIC. Provision for gratuity and pension for other employees and leave encashment liability are determined as per actuarial valuation. Defined contributions for Provident Fund are charged to the profit and loss account based on contributions made in terms of the scheme.

The Bank provides for pension, a deferred retirement plan covering certain employees. The plan provides for a pension payment on a monthly basis to these employees on their retirement based on the respective employee's salary and years of employment with the Bank. Employees covered by the pension plan are not eligible for benefits under the provident fund plan, a defined contribution plan. The pension plan is funded through periodic contributions to a fund set-up by the Bank and administered by a Board of Trustees. Such contributions are actuarially determined.

9. Income Taxes

Income tax expense is the aggregate amount of current tax and deferred tax charge. Current year taxes are determined in accordance with the Income Tax Act, 1961. Deferred tax adjustments comprise of changes in the deferred tax assets or liabilities during the period.

Deferred tax assets and liabilities are recognised for the future tax consequences of timing differences arising between the carrying values of assets and liabilities and their respective tax basis and operating carry forward losses. Deferred tax assets are recognised only after giving due consideration to prudence. Deferred tax asset and liabilities are measured using tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date. The impact on account of changes in the deferred tax assets and liabilities is also recognised in the income statement.

Deferred tax assets are recognised and reassessed at each year end, based upon management's judgement as to whether realisation is considered reasonably certain. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax asset can be realised against future profits.

10. Translation of the Financial Statements of Foreign Offices

In accordance with the guidelines issued by the RBI, all assets, liabilities, income and expenditure of the foreign representative offices and branches of the Bank have been converted at the closing rate prevailing on the balance sheet date. The resultant gains or losses are recognised in the profit and loss account.

B. NOTES FORMING PART OF THE ACCOUNTS

1. Information about business and geographical segments

The Bank reports its operations into the following segments:

- Consumer and Commercial Banking comprising the retail and corporate banking business of the Bank.
- Investment Banking comprising the treasury of the Bank.

Inter-segment transactions are generally based on transfer pricing measures as determined by management. Income, expenses, assets and liabilities are either specifically identified with individual segments or are allocated to segments on a systematic basis.

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Based on such allocations, segmental Balance Sheet as on March 31, 2004 and segmental Profit & Loss account for the year ended March 31, 2004 have been prepared.

(Rupees in million)

Particulars	Consumer and commercial banking		Investment banking		Total	
	For the year ended 31.03.04	For the year ended 31.03.03	For the year ended 31.03.04	For the year ended 31.03.03	For the year ended 31.03.04	For the year ended 31.03.03
1. Revenue	95,819.3	92,717.0	34,819.3	29,157.5	130,638.6	121,874.5
2. Less :Inter segment revenue ..	—	—	—	—	(11,049.0)	(8,515.6)
3. Total revenue (1)–(2)	—	—	—	—	119,589.6	113,358.9
4. Operating profit (i.e. Profit before unallocated expenses, extraordinary profit, and tax)	12,984.2	9,456.0	10,996.6	4,346.1	23,980.8	13,802.1
5. Unallocated expenses	—	—	—	—	256.0	—
6. Profit on sale of shares of ICICI Bank Limited held by erstwhile ICICI Limited	—	—	—	11,910.0	—	11,910.0
7. Provisions (net)	5,542.8	17,305.7	(840.1)	602.4	4,702.7	17,908.1
8. Profit before tax	7,441.4	(7,849.7)	11,836.7	15,653.7	19,022.1	7,804.0
9. Income tax expenses (net) / (net deferred tax credit)	—	—	—	—	2,651.1	(4,257.8)
10. Net profit(8)–(9)	—	—	—	—	16,371.0	12,061.8
11. Segment assets	771,726.4	685,550.8	454,527.0	363,550.4	1,226,253.4	1,049,101.2
12. Unallocated assets	—	—	—	—	26,035.3	19,018.5
13. Total assets(11)+(12)	—	—	—	—	1,252,288.7	1,068,119.7
14. Segment liabilities	978,706.4	800,361.9	273,582.3	267,757.8	1,252,288.7	1,068,119.7
15. Unallocated liabilities	—	—	—	—	—	—
16. Total liabilities(14)+(15)	978,706.4	800,361.9	273,582.3	267,757.8	1,252,288.7	1,068,119.7

The business operations of the Bank are largely concentrated in India. Activities outside India are restricted to resource mobilisation in international markets. The assets and income from foreign operations are not significant to the overall operations of the Bank and have accordingly not been disclosed.

2. Preference Shares

Certain Government securities amounting to Rs. 1,455.1 million (March 31, 2003: Rs. 1,244.8 million) have been earmarked against redemption of preference share capital, which falls due for redemption on April 20, 2018 as per the original issue terms.

3. Subordinated Debt

Subordinated debt includes index bonds amounting to Rs. 110.4 million (March 31, 2003: Rs. 95.8 million) which carry a detachable warrant entitling bondholders to a right to receive an amount linked to the BSE Sensitive Index ("Sensex") per terms of the issue. The liability of the Bank arising out of changes in the Sensex has been hedged by earmarking its investments of an equivalent amount in the UTI Index Equity Fund whose value is based on the Sensex. The Bank has not issued any subordinated debt during the year.

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4. Employee Stock Option Scheme

In terms of employee stock option scheme, the maximum number of options granted to any eligible employee in a financial year shall not exceed 0.05% of the issued equity shares of the Bank at the time of grant of the options and aggregate of all such options granted to the eligible employees shall not exceed 5% of the aggregate number of the issued equity shares of the Bank subsequent to the amalgamation of ICICI, ICICI Capital Services Limited and ICICI Personal Financial Services Limited with the Bank and the issuance of equity shares by the Bank pursuant to the amalgamation of ICICI, ICICI Capital Services Limited and ICICI Personal Financial Services Limited, with the Bank.

In terms of the Scheme, 15,964,982 options (March 31, 2003: 12,610,275 options) granted to eligible employees were outstanding at March 31, 2004.

A summary of the status of the Bank's option plan is given below:

	Year ended March 31, 2004	<i>Year ended March 31, 2003</i>
	Option shares outstanding	<i>Option shares outstanding</i>
Outstanding at the beginning of the year	12,610,275	<i>13,343,625</i>
Add: Granted during the year	7,491,800	<i>—</i>
Less: Forfeited/lapsed during the year	766,489	<i>730,350</i>
Exercised during the year	3,370,604	<i>3,000</i>
Outstanding at the end of the year	15,964,982	<i>12,610,275</i>

5. Early Retirement Option ("ERO")

The Bank has implemented Early Retirement Option Scheme 2003 to its employees in July 2003. All employees who had completed 40 years of age and seven years of service with the Bank (including period of service with entities amalgamated with the Bank) were eligible for the ERO.

In accordance with the treatment approved by the RBI, the ex-gratia payments under ERO and termination benefits and leave encashment in excess of the provisions made (net of tax benefits), aggregating to Rs. 1,910.0 million are being amortised over a period of five years commencing August 1, 2003 (the date of retirement of employees exercising the Option being July 31, 2003).

During the year, an amount of Rs. 256.0 million has been charged to revenue on account of ERO Scheme being the proportionate amount amortised for the eight month period ended March 31, 2004.

6. Deferred Tax

On March 31, 2004, the Bank has recorded net deferred tax asset of Rs. 4,429.7 million (March 31, 2003 : Rs. 4,888.3 million) which has been included in other assets.

A composition of deferred tax assets and liabilities into major items is given below:

	Year ended March 31, 2004	<i>Year ended March 31, 2003</i>
		(Rupees in million)
Deferred tax asset		
Amortisation of premium on investments	—	<i>527.4</i>
Provision for bad and doubtful debts	13,434.1	<i>12,988.7</i>
Others	202.4	<i>855.3</i>
	13,636.5	<i>14,371.4</i>
Less: Deferred tax liability		
Depreciation on fixed assets	8,970.6	<i>9,246.9</i>
Others	236.2	<i>236.2</i>
	9,206.8	<i>9,483.1</i>
Net Deferred Tax Asset/(Liability)	4,429.7	<i>4,888.3</i>

7. Related party transactions

The Bank has transactions with its subsidiaries (including joint ventures), associates (including joint ventures) and directors. The following represent the significant transactions between the Bank and such related parties:

Insurance services

During the year ended March 31, 2004 the Bank paid insurance premium to insurance joint ventures amounting to Rs. 157.2 million (2003: Rs. 163.7 million). During the year ended March 31, 2004 the Bank received claims from insurance subsidiaries amounting to Rs. 85.6 million (2003: Rs. 58.0 million).

Fees

During the year ended March 31, 2004 the Bank received fees from its insurance joint ventures amounting to Rs. 65.3 million (2003: Rs. 17.1 million).

Lease of premises and facilities

During the year ended March 31, 2004, the Bank received for lease of premises, facilities and other administrative costs from subsidiaries and joint ventures amounting to Rs. 361.9 million (2003: Rs. 247.4 million).

Sale of housing loan portfolio

During the year ended March 31, 2004, the Bank sold housing loan portfolio to its subsidiaries amounting to Rs. 18,317.2 million (2003: Rs. Nil).

Secondment of employees

During the year ended March 31, 2004, the Bank received Rs.14.2 million (2003: Rs. 27.7 million) from subsidiaries and joint ventures for secondment of employees.

Sale of investments

During the year ended March 31, 2004, the Bank sold certain investments to its associates amounting to Rs. 3,234.1 million (2003: Rs. 2,369.2 million). On the sales made to the associates, the Bank accounted for a gain of Rs. 199.2 million (2003: Rs. 542.7 million).

Reimbursement of expenses

During the year ended March 31, 2004, the Bank reimbursed expenses to its subsidiaries amounting to Rs. 2,075.7 million (2003: Rs. 1,422.3 million).

Brokerage paid

During the year ended March 31, 2004, the Bank paid brokerage to its subsidiaries amounting to Rs. 5.7 million (2003: Rs. 1.5 million).

Custodial charges received

During the year ended March 31, 2004, the Bank received custodial charges from its associates amounting to Rs. 4.7 million (2003: Rs. 7.6 million).

Interest paid

During the year ended March 31, 2004, the Bank paid interest to its subsidiaries and joint ventures amounting to Rs. 67.9 million (2003: Rs.118.8 million) and to its associates amounting to Rs. 9.5 million (2003: Rs. 0.9 million).

Interest received

During the year ended March 31, 2004 the Bank received interest from its subsidiaries and joint ventures amounting to Rs. 327.2 million (2003: Rs. 471.2 million) and from its Key Management Personnel® Rs. 0.4 million (2003: Rs. 0.5 million).

Dividend received

During the year ended March 31, 2004 the Bank received dividend from its subsidiaries and joint ventures amounting to Rs. 1,289.7 million (2003: Rs. 1,094.2 million).

Remuneration to directors

Remuneration paid to the executive directors of the Bank during the year ended March 31, 2004 was Rs. 58.5 million (2003: Rs. 41.0 million).

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Related party balances

The following balances payable to/receivable from subsidiaries/ joint ventures/ associates/ key management personnel are included in the balance sheet as on March 31, 2004:

(Rupees in million)

Items/Related Party	Subsidiaries/ Joint ventures	Associates	Key Management Personnel [@]	Total
Deposits	2,021.2	37.3	23.1	2,081.6
Advances	2,426.0	800.0	10.2	3,236.2
Investments	14,303.6	15,942.5	—	30,246.1
Receivables	315.1	8.0	—	323.1
Payables	739.4	0.5	—	739.9

[@] whole-time directors and relatives

The following balances payable to/receivable from subsidiaries/ joint ventures/ associates/ key management personnel are included in the balance sheet as on March 31, 2003:

(Rupees in million)

Items/Related Party	Subsidiaries/ Joint ventures	Associates	Key Management Personnel [@]	Total
Deposits	2,343.0	4.4	20.3	2,367.7
Advances	4,124.1	—	14.8	4,138.9
Investments	7,888.4	16,038.8	—	23,927.2
Receivables	349.4	0.4	—	349.8
Payables	194.5	0.9	—	195.4

[@] whole-time directors and relatives

Subsidiaries and joint ventures

ICICI Venture Funds Management Company Limited, ICICI Securities Limited, ICICI Brokerage Services Limited, ICICI International Limited, ICICI Trusteeship Services Limited, ICICI Home Finance Company Limited, ICICI Investment Management Company Limited, ICICI Securities Holdings Inc., ICICI Securities Inc., ICICI Bank UK Limited, ICICI Bank Canada, ICICI Prudential Life Insurance Company Limited, ICICI Distribution Finance Private Limited, ICICI Lombard General Insurance Company Limited, Prudential ICICI Asset Management Company Limited and Prudential ICICI Trust Limited.

Associates

ICICI Equity Fund, ICICI Eco-net Internet and Technology Fund, ICICI Emerging Sectors Fund, ICICI Strategic Investments Fund, ICICI Property Trust and TCW/ICICI Investment Partners L.L.C.

8. Earnings Per Share ("EPS")

The Bank reports basic and diluted earnings per equity share in accordance with Accounting Standard 20, "Earnings per Share". Basic earnings per share is computed by dividing net profit after tax by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the year.

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The computation of Earnings Per Share is given below:

(Rupees in million except per share data)

	March 31, 2004	March 31, 2003
Basic		
Weighted average no. of equity shares outstanding (Nos)	614,157,868	613,031,569
Net profit	16,371.0	12,061.8
Basic earnings per share (Rs.)	26.66	19.68
Diluted		
Weighted average no. of equity shares	619,201,380	613,750,295
Net profit	16,371.0	12,061.8
Diluted earnings per share (Rs.)	26.44	19.65
Nominal value per share (Rs.)	10.00	10.00

The dilutive impact is mainly due to options issued to employees by the Bank.

9. Assets under lease

9.1 Assets under operating lease

The future lease rentals are given below:

	(Rupees in million)	
Period	March 31, 2004	March 31, 2003
Not later than one year	229.6	108.5
Later than one year and not later than five years	974.9	537.9
Later than five years	571.0	472.0
Total	1,775.5	1,118.4

9.2 Assets under finance lease

The future lease rentals are given below:

	(Rupees in million)	
Period	March 31, 2004	March 31, 2003
Total of future minimum lease payments	1,792.9	1,161.0
Present value of lease payments	1,417.8	818.1
Unmatured finance charges	375.1	342.9
Maturity profile of total of future minimum lease payments		
Not later than one year	397.0	166.0
Later than one year and not later than five years	1,255.6	831.9
Later than five years	140.3	163.1
Total	1,792.9	1,161.0

10. Additional disclosures

The following additional disclosures have been made taking into account RBI guidelines in this regard.

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10.1 Capital adequacy ratio

The Capital to Weighted Risk Assets Ratio ("CRAR") as assessed by the Bank on the basis of the attached financial statements and guidelines issued by RBI is given in the table below:

	(Rupees in million)	
	March 31, 2004	March 31, 2003
Tier I capital*	55,250.9	58,072.3
Tier II capital	38,756.9	33,387.5
Total capital	94,007.8	91,459.8
Total risk weighted assets	907,340.2	823,805.4
Capital ratios (per cent)		
Tier I	6.09%	7.05%
Tier II	4.27%	4.05%
Total capital	10.36%	11.10%

* Tier I Capital includes the preference shares, which are due for redemption in 2018, as reduced by the amount of corpus created in accordance with RBI guidelines.

10.2 Business/information ratios

The business/information ratios for the period ended March 31, 2004 and March 31, 2003 are given in the table below:

	(Rupees in million)	
	March 31, 2004	March 31, 2003
(i) Interest income to working funds (per cent)	7.83%	9.07%
(ii) Non-interest income to working funds (per cent)	2.70%	1.91%
(iii) Operating profit to working funds (per cent)	2.09%	2.49%
(iv) Return on assets (per cent)	1.31%	1.13%
(v) Business per employee (average deposits plus average advances) ..	101.0	112.0
(vi) Profit per employee	1.2	1.1
(vii) Net non-performing advances (funded) to net advances (per cent)	2.21%	5.21%

For the purpose of computing the above ratios, working funds represent the average of total assets as reported to the RBI under section 27 of the Banking Regulation Act, 1949.

10.3 Maturity pattern

a) Rupee denominated assets and liabilities as on March 31, 2004

The maturity pattern of rupee denominated assets and liabilities of the Bank as on March 31, 2004 is given below:

	(Rupees in million)			
Maturity Buckets	Loans & advances	Investment securities	Deposits	Borrowings
1 to 14 days	21,863.1	52,235.7	53,572.2	5,689.3
15 to 28 days	4,243.7	27,548.3	16,595.3	6,264.2
29 days to 3 months	11,904.6	32,787.9	72,534.5	6,935.9
3 to 6 months	18,735.3	32,621.3	85,839.2	19,097.4
6 months to 1 year	74,242.4	41,537.8	107,581.2	32,956.4
1 to 3 years	167,247.8	117,207.9	294,475.0	102,112.9
3 to 5 years	86,467.4	22,447.7	19,556.9	22,224.5
Above 5 years	170,790.7	101,042.0	7,897.7	24,741.7
Total	555,495.0	427,428.6	658,052.0	220,022.3

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Continued

b) Rupee denominated assets and liabilities as on March 31, 2003

The maturity pattern of rupee denominated assets and liabilities of the Bank as on March 31, 2003 is given below:

(Rupees in million)

Maturity Buckets	Loans & advances	Investment securities	Deposits	Borrowings
1 to 14 days	14,165.3	32,828.6	40,141.0	6,715.7
15 to 28 days	1,810.0	21,956.9	14,275.7	3,035.4
29 days to 3 months	18,592.5	36,459.5	67,790.7	17,445.0
3 to 6 months	17,052.9	18,736.1	26,369.2	18,111.5
6 months to 1 year	40,059.6	43,943.5	102,763.0	49,366.1
1 to 3 years	148,660.2	110,286.9	198,621.2	129,667.8
3 to 5 years	81,199.1	22,173.4	10,631.5	22,079.9
Above 5 years	142,587.7	68,238.2	6,885.0	28,231.6
Total	464,127.3	354,623.1	467,477.3	274,653.0

c) Forex denominated assets and liabilities as on March 31, 2004

The maturity pattern of forex denominated assets and liabilities as on March 31, 2004 is given below:

(Rupees in million)

Maturity Buckets	Loans & advances	Balances with banks and money at call and short notice	Deposits	Borrowings
1 to 14 days	190.7	11,584.7	1,732.0	1,540.6
15 to 28 days	404.0	1,862.4	543.7	3,668.8
29 days to 3 months	2,091.2	2,535.6	1,623.1	6,664.2
3 to 6 months	1,810.0	993.4	3,655.5	8,007.3
6 months to 1 year	12,969.6	—	5,131.6	11,519.3
1 to 3 years	15,350.3	—	7,114.4	15,488.4
3 to 5 years	9,623.9	—	1,663.5	22,985.5
Above 5 years	23,020.5	—	1,570.0	17,506.0
Total	65,460.2	16,976.1	23,033.8	87,380.1

d) Forex denominated assets and liabilities as on March 31, 2003

The maturity pattern of forex denominated assets and liabilities as on March 31, 2003 is given below:

(Rupees in million)

Maturity Buckets	Loans & advances	Balances with banks and money at call and short notice	Deposits	Borrowings
1 to 14 days	341.3	2,770.2	677.7	1,579.2
15 to 28 days	545.0	—	233.6	1.0
29 days to 3 months	1,202.8	—	1,063.9	6,620.9
3 to 6 months	2,003.3	—	1,610.2	8,591.3
6 months to 1 year	6,889.3	—	3,603.0	10,132.7
1 to 3 years	17,575.2	—	7,026.7	9,834.9
3 to 5 years	11,553.8	—	0.7	13,099.4
Above 5 years	28,556.1	—	..	18,511.8
Total	68,666.8	2,770.2	14,215.8	68,371.2

Notes

- In compiling the information of maturity pattern (refer 10.3 (a), 10.3 (b), 10.3 (c), 10.3 (d) above), certain estimates and assumptions have been made by the management, which have been relied upon by the auditors.
- Assets and liabilities in foreign currency exclude off-balance sheet assets and liabilities.

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10.4 Advances

(i) Lending to sensitive sectors

The Bank has lending to sectors, which are sensitive to asset price fluctuations. Such sectors include capital market, real estate and commodities. The net position of lending to sensitive sectors is given in the table below:

	(Rupees in million)	
	March 31, 2004	March 31, 2003
Capital market sector*	2,489.3	1,400.2
Real estate sector	25,172.3	20,941.8
Commodities sector	1,032.0	1,663.6

* represents loans to NBFC brokers and individuals against pledge of shares.

(ii) Movement of gross non-performing advances during the year

	(Rupees in million)	
	April 1, 2003 to March 31, 2004	April 1, 2002 to March 31, 2003
Opening Balance	50,273.8	50,130.3
Add: Additions during the year	14,194.3	11,937.7
	64,468.1	62,068.0
Less: Reductions during the year	(33,992.2)	(11,794.2)
Closing Balance *	30,475.9	50,273.8

* includes suspended interest and claims received from ECGC/DICGC of Rs. 501.8 million (previous year Rs. 490.3 million) on working capital loans.

(iii) Provision for non-performing advances

	(Rupees in million)	
	April 1, 2003 to March 31, 2004	April 1, 2002 to March 31, 2003
Opening Balance	22,036.1	23,838.1
Add: Provisions made during the year (including utilisation of fair value provisions)	7,318.1	6,704.8
	29,354.2	30,542.9
Less: Write-offs/recovery	(13,104.1)	(8,506.8)
Closing Balance	16,250.1	22,036.1

(iv) Financial assets transferred during the year to Securitisation Company ("SC") / Reconstruction Company ("RC")

The Bank has transferred certain assets to an asset reconstruction company ("ARC") in terms of the guidelines issued by the RBI governing such transfer. For the purpose of year-end valuation of the underlying security receipts issued by ARC, pursuant to the accounting policy vide para 2 (h) of part A, their NAV is taken at the purchase consideration of the assets transferred since ARC has not intimated the NAV and the transfers have been effected close to March 31, 2004. The details of the assets transferred are given in the table below:

	(Rupees in million)
	April 1, 2003 to March 31, 2004
a) No. of accounts	54
b) Aggregate value (net of provisions) of accounts sold to SC / RC	12,506.2
c) Aggregate consideration	12,439.5
d) Additional consideration realised in respect of accounts transferred in earlier years	—
e) Aggregate gain/(loss) over net sale value	(66.7)

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Continued

(v) Information in respect of restructured assets

The Bank has restructured borrower accounts in standard, sub-standard and doubtful category. The gross amounts (net of write-off) of restructuring during the year in respect of these accounts are given below:

	(Rupees in million)	
	April 1, 2003 to March 31, 2004	April 1, 2002 to March 31, 2003
Standard assets subjected to restructuring	49,469.4	58,898.2
Sub-standard assets subjected to restructuring	1,409.0	1,766.4
Doubtful assets subjected to restructuring	783.4	3,032.0
Total amount	51,661.8	63,696.6

Excludes cases that were restructured and disclosed in the earlier years by the bank and subsequently confirmed/amended on being referred to and admitted under the Corporate Debt Restructuring (CDR) scheme.

	(Rupees in million)	
	April 1, 2003 to March 31, 2004	April 1, 2002 to March 31, 2003
Standard assets subjected to CDR	53,761.9	40,595.9
Sub-standard assets subjected to CDR	823.0	137.1
Doubtful assets subjected to CDR	—	—
Total amount	54,584.9	40,733.0

10.5 Investments

	(Rupees in million)			
	March 31, 2004		March 31, 2003	
	In India	Outside India	In India	Outside India
Gross value	433,052.1	3,674.1	370,454.5	356.7
Less: Provision for depreciation and fair value provision	9,233.2	64.4	15,917.2	271.0
Net value	423,818.9	3,609.7	354,537.3	85.7

Provision for depreciation on investments

	(Rupees in million)	
	April 1, 2003 to March 31, 2004	April 1, 2002 to March 31, 2003
Opening balance	14,161.5	17,330.0
Add: Provision made during the year (including utilisation of fair value provision)	(4,945.8)	(3,168.5)
Less: Transfer from investment fluctuation reserve	—	—
Write-off during the year	—	—
Closing balance	9,215.7	14,161.5

10.6 Investments in equity shares and equity like instruments

	(Rupees in million)	
	March 31, 2004	March 31, 2003
Equity shares	6,818.2	6,330.2
Convertible debentures	604.4	1,898.2
Units of equity oriented mutual funds	202.7	578.9
Investment in venture capital funds	11,606.6	3,352.6
Others (loans against collateral, advances to brokers)	5,515.8	1,400.2
Total	24,747.7	13,560.1

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10.7 Repurchase transactions

The details of securities sold and purchased under repos and reverse repos during the period are given below:

(Rupees in million)

	Minimum outstanding balance during the year	Maximum outstanding balance during the year	Daily average outstanding balance during the year	Balance as on March 31, 2004
Securities sold under repurchase transaction	—	25,519.0	6,416.3	—
Securities purchased under reverse repurchase transaction	—	5,850.0	858.8	2,431.8

10.8 Investments in jointly controlled entities

Investments include Rs. 6,690.1 million (March 2003: Rs. 4,026.1 million) representing the Bank's interests in the following jointly controlled entities :

Sr. No.	Name of the company	Country/ Residence	Percentage holding
1	ICICI Prudential Life Insurance Company Limited	India	74.00%
2	ICICI Lombard General Insurance Company Limited	India	74.00%
3	Prudential ICICI Asset Management Company Limited	India	*44.99%
4	Prudential ICICI Trust Limited	India	*44.80%

* indicates holding by ICICI Bank Limited along with its subsidiaries.

The aggregate amounts of assets, liabilities, income and expenses as on March 31, 2004 and for the year then ended relating to the Bank's interests in the above entities is as follows :

(Rupees in million)

Liabilities	Amount	Assets	Amount
Capital and Reserves	3,739.5	Cash and bank balances	847.3
Other liabilities	3,633.6	Investments	15,126.4
Liabilities on life policies in force	10,610.5	Fixed assets	502.4
		Other assets	1,507.5
Total	17,983.6	Total	17,983.6

(Rupees in million)

Expenses	Amount	Income	Amount
Interest expenses	2.2	Interest income	405.3
Other expenses		Other income	
— Premium ceded and change in liability for life policies in force	4,888.2	— Insurance premium / commission	11,176.0
— Others	8,662.5	— Others	824.2
Provisions	135.2		
Total	13,688.1	Total	12,405.5

10.9 Risk category-wise country-wise exposure

As per the extant RBI guidelines, the country exposure of the Bank is categorised into various risk categories listed in the following table. Since the country exposure (net) of the Bank in respect of each country does not exceed 2% of the total funded assets, no provision is required to be maintained on country exposures.

Risk category	(Rupees in million)	
	Exposure (net) as on March 31, 2004	Exposure (net) as on March 31, 2003
Insignificant	46,114.1	3,559.5
Low	643.5	205.9
Moderate	184.5	13.5
High	8.6	12.5
Total	46,950.7	3,791.4

10.10 Interest rate swaps ("IRS")

The notional principal amount of Rupee IRS contracts as at March 31, 2004 is Rs. 34,150.0 million for hedging contracts (March 31, 2003: Rs. 29,730.0 million) and Rs. 947,837.8 million for trading contracts (March 31, 2003 : Rs. 348,337.8 million).

The fair value represents the estimated replacement cost of swap contracts as at balance sheet date. At March 31, 2004 the fair value of trading rupee interest rate swap contracts is Rs. 669.2 million (March 31, 2003 : Rs. 308.8 million).

Associated credit risk is the loss that the Bank would incur in case all the counter-parties to these swaps fail to fulfil their contractual obligations. As at March 31, 2004, the associated credit risk on trading rupee interest rate swap contracts is Rs. 8,955.5 million (March 31, 2003: Rs. 2,358.6 million).

Market risk is monitored as the loss that would be incurred by the Bank for a 100 basis points rise in the interest rates. As at March 31, 2004 the market risk on trading rupee interest rate swap contracts amounts to Rs. 63.2 million (March 31, 2003 : Rs. 38.1 million).

Credit risk concentration is measured as the highest net receivable under swap contracts from a particular counter party. As at March 31, 2004 there is a credit risk concentration of Rs. 682.7 million (March 31, 2003 : Rs. 246.7 million) under rupee interest rate swap contracts, with Standard Chartered Bank.

As per the prevailing market practice, collateral is not insisted on from the counter-parties of these contracts.

11. Others

a. Credit exposure to	% age to capital funds	% age to total exposure	% age to capital funds	% age to total exposure
	As at March 31, 2004	As at March 31, 2004	As at March 31, 2003	As at March 31, 2003
(a) Single largest borrower	24.9%	2.2%	22.3%	2.4%
(b) Largest borrower group	53.1%	4.6%	44.2%	4.8%
(c) Top ten single borrowers				
No. 1	24.9%	2.2%	22.3%	2.4%
No. 2	20.7%	1.8%	21.1%	2.3%
No. 3	19.9%	1.7%	13.8%	1.5%
No. 4	15.7%	1.4%	11.8%	1.3%
No. 5	14.8%	1.3%	10.9%	1.2%
No. 6	13.3%	1.2%	10.0%	1.1%
No. 7	13.1%	1.1%	8.9%	1.0%
No. 8	13.0%	1.1%	8.9%	1.0%
No. 9	12.4%	1.1%	8.6%	0.9%
No. 10	10.5%	0.9%	8.2%	0.9%

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	% age to capital funds As at March 31, 2004	% age to total exposure As at March 31, 2004	<i>% age to capital funds As at March 31, 2003</i>	<i>% age to total exposure As at March 31, 2003</i>
(d) Top ten borrower groups				
No. 1	53.1%	4.6%	44.2%	4.8%
No. 2	47.1%	4.1%	28.1%	3.1%
No. 3	25.7%	2.2%	28.1%	3.1%
No. 4	24.4%	2.1%	25.2%	2.7%
No. 5	22.7%	2.0%	19.1%	2.1%
No. 6	21.0%	1.8%	18.5%	2.0%
No. 7	16.4%	1.4%	14.3%	1.6%
No. 8	16.2%	1.4%	11.8%	1.3%
No. 9	15.7%	1.4%	11.4%	1.2%
No. 10	13.1%	1.2%	11.0%	1.2%
		% age to total exposure March 31, 2004	<i>% age to total exposure March 31, 2003</i>	
(e) Five largest industrial sectors				
No. 1		7.5%	10.1%	
No. 2		7.3%	9.6%	
No. 3		6.2%	8.5%	
No. 4		5.3%	5.2%	
No. 5		5.0%	4.9%	
b. Exchange fluctuation	Exchange fluctuation aggregating Rs. 577.8 million (March 31, 2003 : Rs. 923.6 million), which arises on account of rupee-tying agreements with the Government of India, is held in "Exchange Fluctuation Suspense with Government Account" pending adjustment at maturity on receipt of payments from the Government for repayments to foreign lenders.			
c. Swap suspense (net)	Swap Suspense (net) aggregating Rs. 677.0 million (debit) (March 31, 2003: Rs. 128.7 million (debit)), which arises out of conversion of foreign currency swaps, is held in "Swap Suspense Account" and will be reversed at conclusion of swap transactions with swap counter parties.			
d. Exchange Risk Administration Scheme	Under the Exchange Risk Administration Scheme ("ERAS"), the Government of India has agreed to extend support to the Exchange Risk Administration Fund ("ERAF"), when it is in deficit and recoup its contribution in the event of surplus. The Bank can claim from the positive balance in the ERAF account maintained by the Industrial Development Bank of India ("IDBI") to the extent of the deficit in the ERAS Exchange Fluctuation Account. If the balance in the ERAF account with IDBI is insufficient, a claim will be made on the Government of India through IDBI. The Government of India has foreclosed the scheme vide their letter F. No 6 (3)/2002-IF.1 dated January 28, 2003. The total amount payable to the Government of India under the scheme amounting to Rs. 50.0 million has been included in Other Liabilities.			

12. Proposed dividend

Proposed dividend includes the amount of dividend payable to the shareholders of the equity issue made in April 2004 (excluding the shares over-allocated under the green shoe option).

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Continued

13. Cash and cash equivalents

Cash and cash equivalents include cash in hand, balances with RBI, balances with other banks and money at call and short notice.

14. Contingent liability

The Income-tax authorities have disallowed deduction in respect of specific provisions for bad debts made by erstwhile ICICI Limited in prior years on account of retrospective amendment to section 36(1)(vii) of the Income Tax Act, 1961 (the "Act"). The total potential tax impact of such disallowances is Rs. 2,765.9 million, which is included in the contingent liability and is disputed by the Bank in appeals. Based on a legal opinion, the Bank is of the view that the disputed amount would alternatively be deductible under the provisions of the Act as business loss. Further, as the provision is tax deductible in the year of write-off, the Bank is eligible to create a deferred tax asset and accordingly, there is no revenue impact.

15. Comparative figures

Figures of the previous year have been regrouped to conform to the current year's presentation.

Signatures To Schedules 1 To 18

For and on behalf of the Board of Directors

For S. R. BATLIBOI & CO.
Chartered Accountants

N. VAGHUL
Chairman

K. V. KAMATH
Managing Director & CEO

per VIREN H. MEHTA
a Partner

LALITA D. GUPTA
Joint Managing Director

KALPANA MORPARIA
Deputy Managing Director

CHANDA D. KOCHHAR
Executive Director

NACHIKET MOR
Executive Director

Place : Mumbai
Date : April 30, 2004

JYOTIN MEHTA
General Manager &
Company Secretary

N. S. KANNAN
Chief Financial Officer &
Treasurer

G. VENKATAKRISHNAN
General Manager -
Accounting & Taxation Group

cash flow statement



for the year ended March 31, 2004

		(Rs. in '000s)
Particulars	Year ended 31.03.2004	Year ended 31.03.2003
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before taxes	19,022,209	7,803,872
Adjustments for :		
Depreciation on fixed assets	5,394,413	5,059,415
Net (appreciation)/depreciation on investments	(96,484)	3,094,311
Provision in respect of non-performing assets (including prudential provision on standard assets)	4,591,155	14,749,848
Provision for contingencies & others	207,936	63,900
Income from subsidiaries (investing activity)	(1,261,729)	(1,094,240)
Loss on sale of fixed assets	31,966	65,038
	27,889,466	29,742,144
Adjustments for :		
(Increase) / decrease in Investments	(63,609,871)	55,305,151
(Increase) / decrease in Advances	(91,992,620)	(74,578,831)
Increase / (decrease) in Borrowings	(836,834)	(36,519,614)
Increase / (decrease) in Deposits	199,392,782	160,841,952
(Increase) / decrease in Other assets	2,450,798	(24,500,144)
Increase/(decrease) in Other liabilities and provisions	14,154,337	3,266,612
	59,558,592	83,815,126
Direct taxes paid	(8,531,173)	(6,438,190)
Net cash generated from operating activities	(A) 78,916,885	107,119,080
CASH FLOW FROM INVESTING ACTIVITIES		
Investments in subsidiaries and/or joint ventures	(6,415,226)	(1,739,493)
Income received on such investments	1,261,729	1,094,240
Purchase of fixed assets	(5,762,528)	(4,516,874)
Proceeds from sale of fixed assets	369,695	102,090
(Purchase)/Sale of Held to Maturity securities	(2,684,030)	(52,372,174)
Net cash generated from investing activities	(B) (13,230,360)	(57,432,211)

for the year ended March 31, 2004

Continued

(Rs. in '000s)

Particulars	Year ended 31.03.2004	Year ended 31.03.2003
CASH FLOW FROM FINANCING ACTIVITIES		
Amount received on exercise of stock options & calls in arrears ...	539,078	315
Repayment of bonds (including subordinated debt)	(41,221,623)	(112,660,657)
Dividend and dividend tax paid	(5,187,662)	—
Net cash generated from financing activities	(C) (45,870,207)	(112,660,342)
Cash and cash equivalents on amalgamation	(D) —	—
Net increase/(decrease) in cash and cash equivalents	(A) + (B) + (C) + (D) 19,816,318	(62,973,473)
Cash and cash equivalents as at 1st April	64,890,026	127,863,499
Cash and cash equivalents as at 31st March	84,706,344	64,890,026

Cash and Cash equivalents represent 'Cash and balance with Reserve Bank of India' and 'Balances with banks and money at call and short notice'.

For and on behalf of the Board of Directors

N. VAGHUL
Chairman

K. V. KAMATH
Managing Director & CEO

LALITA D. GUPTA
Joint Managing Director

KALPANA MORPARIA
Deputy Managing Director

CHANDA D. KOCHHAR
Executive Director

NACHIKET MOR
Executive Director

Place : Mumbai
Date : April 30, 2004

JYOTIN MEHTA
General Manager &
Company Secretary

N. S. KANNAN
Chief Financial Officer &
Treasurer

G. VENKATAKRISHNAN
General Manager -
Accounting & Taxation Group

section 212



Statement Pursuant to Section 212 of the Companies Act, 1956, Relating to Subsidiary Companies

Sr. No.	Name of the Subsidiary Company	Financial year of the Subsidiary ended on	No. of Equity Shares held by ICICI Bank and/or its nominees in the Subsidiary as on March 31, 2004	Extent of interest of ICICI Bank in Capital of Subsidiary	Net aggregate amount of Profits / (Losses) of the Subsidiary so far as it concerns the Members of ICICI Bank and is not dealt with in the Accounts of ICICI Bank (see note 1)	Rs. in Thousands	for the previous financial years of the subsidiary since it became a subsidiary	Net aggregate amount of Profits / Losses of the Subsidiary so far as it concerns the Members of ICICI Bank dealt with or provided for in the Accounts of ICICI Bank (see note 2)	Rs. in Thousands	for the previous financial years of the subsidiary since it became a subsidiary
1	ICICI Securities Limited	March 31, 2004	202,833,200 Equity Shares of Rs.10 each fully paid-up	99.9%	1,576,774	530,117	907,681	2,278,360		
2	ICICI Brokerage Services Limited (see Note 3)	March 31, 2004	4,500,700 Equity Shares of Rs. 10 each, fully paid-up held by ICICI Securities Limited	-	148,761	190,621	Nil	Nil		Nil
3	ICICI Securities Holdings Inc. (see Note 3)	March 31, 2004	1,600,000 Common Stock of USD 1 each fully paid up held by ICICI Securities Limited	-	(6,046)	538	Nil	Nil		Nil
4	ICICI Securities Inc. (see Note 3)	March 31, 2004	1,050,000 Common Stock of USD 1 each fully paid up held by ICICI Sec. Holding Inc.	-	(23,618)	16,098	Nil	Nil		Nil
5	ICICI Venture Funds Management Company Limited	March 31, 2004	3,124,890 Equity Shares of Rs. 10 each fully paid up	100%	232,871	111,226	148,432	500,611		
6	ICICI International Limited	March 31, 2004	40,000 Ordinary Shares of US\$10 each fully paid-up	100%	11,526	Nil	Nil	15,782		
7	ICICI Home Finance Company Limited	March 31, 2004	115,000,000 Equity Shares of Rs. 10 each fully paid up	100%	192,936	98,450	Nil	230,000		
8	ICICI Trusteeship Services Limited	March 31, 2004	50,000 Equity Shares of Rs. 10 each fully paid up	100%	439	194	Nil	Nil		Nil
9	ICICI Investment Management Company Limited	March 31, 2004	10,000,700 Equity Shares of Rs 10 each fully paid up	100%	12,865	3,001	Nil	Nil		Nil
10	ICICI Prudential Life Insurance Company Limited	March 31, 2004	499,500,000 Equity Shares of Rs. 10 each fully paid up	74%	(1,865,070)	(1,639,605)	Nil	Nil		Nil
11	ICICI Lombard General Insurance Company Limited	March 31, 2004	162,800,000 Equity Shares of Rs.10 each fully paid up	74%	(51,024)	104,871	130,329	Nil		Nil
12	ICICI Distribution Finance Private Limited	March 31, 2004	8,750,000 Equity Shares of Rs. 10 each fully paid up	100%	Nil	Nil	75,250	Nil		Nil
13	ICICI Bank UK Limited	March 31, 2004	50,000,000 Ordinary Shares of USD 1 each and 2 Ordinary Shares of 1 GBP each	100%	Nil	(98,233)	Nil	Nil		Nil

- The above companies (other than ICICI Distribution Finance Private Limited and ICICI Bank UK Limited) which were subsidiaries of erstwhile ICICI Limited have become subsidiaries of ICICI Bank consequent to merger of ICICI Limited with ICICI Bank.
- The amount received by the erstwhile ICICI Limited upto March 29, 2002 as dividend has also been included in the reserves of ICICI Bank.
- ICICI Brokerage Services Limited and ICICI Securities Holding Inc. are wholly owned subsidiaries of ICICI Securities Limited. ICICI Securities Inc. is in turn a wholly owned subsidiary of ICICI Securities Holding Inc.
- ICICI Bank Canada was incorporated as a 100% subsidiary of ICICI Bank Limited on September 12, 2003. As the first financial year of ICICI Bank Canada has not ended, audited financials are not available.

For and on behalf of the Board of Directors

N. VAGHUL
Chairman

LALITA D. GUPTA
Joint Managing Director

CHANDA D. KOCHHAR
Executive Director

K. V. KAMATH
Managing Director & CEO

KALPANA MORPARIA
Deputy Managing Director

NACHIKET MOR
Executive Director

G. VENKATKRISHNAN
General Manager - Accounting & Taxation Group

JYOTIN MEHTA
General Manager & Company Secretary

N. S. KANNAN
Chief Financial Officer & Treasurer

Place : Mumbai
Date : April 30, 2004



**Consolidated financial statements of
ICICI Bank Limited and
its subsidiaries**

auditor's report



to the Board of Directors of ICICI Bank Limited on the Consolidated Financial Statements of ICICI Bank Limited and its Subsidiaries, Associates and Joint Ventures

We have audited the attached Consolidated Balance Sheet of ICICI Bank Limited and its subsidiaries, associates and joint ventures (the 'Group') as at March 31, 2004, and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the ICICI Bank Limited's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of certain subsidiaries, associates and joint ventures whose financial statements reflect total assets of Rs. 68,969 million as at March 31, 2004, total revenues of Rs. 7,779 million and cash flows amounting to Rs. 4,493 million for the year then ended. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of other auditors.

We have jointly audited, with other auditor, the financial statements of a joint venture which reflect total assets of Rs. 18,120 million as at March 31, 2004, the total revenue of Rs. 13,039 million and cash flows amounting to Rs. 182 million for the year then ended. For the purpose of the consolidated financial statements, we have relied upon the work of other joint auditor.

We have also relied on the un-audited financial statements of certain subsidiaries/associates/joint ventures, whose financial statements reflect total assets of Rs. 2,082 million as at March 31, 2004, total revenues of Rs. 1,025 million and cash flow amounting to Rs. 82 million for the year then ended.

We report that the consolidated financial statements have been prepared by the ICICI Bank Limited's management in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements, Accounting Standard 23, Accounting for Investments in Associates in Consolidated Financial Statements and Accounting Standard 27, Financial Reporting of interest in Joint Ventures issued by the Institute of Chartered Accountants of India.

Based on our audit and on consideration of reports of other auditors on separate financial statements and on the consideration of the un-audited financial statements and on the other financial information of the components, and to the best of our information and according to explanations given to us, we are of the opinion that the attached consolidated financial statements gives a true and fair view in conformity with the accounting principles generally accepted in India:

- a. in the case of the consolidated balance sheet, of the state of affairs of the Group as at March 31, 2004;
- b. in the case of the consolidated profit and loss account, of the profit for the year ended on that date; and
- c. in the case of the consolidated cash flow statement, the cash flows for the year ended on that date.

For S. R. BATLIBOI & CO.
Chartered Accountants

per VIREN H. MEHTA
a Partner

Membership No.: 048749
Mumbai: April 30, 2004

consolidated balance sheet



as on March 31, 2004

	Schedule	(Rs. in '000s)	As on 31.03.2003
CAPITAL AND LIABILITIES			
Capital	1	9,664,012	9,626,600
Reserves and surplus	2	71,395,199	60,594,980
Minority interest		111,219	71,309
Deposits	3	680,787,334	479,507,012
Borrowings	4	349,580,671	367,215,827
Liabilities on policies in force		10,610,595	3,911,716
Other liabilities and provisions	5	185,327,032	173,404,234
TOTAL		<u>1,307,476,062</u>	<u>1,094,331,678</u>
ASSETS			
Cash and balance with Reserve Bank of India	6	54,462,954	49,089,557
Balances with banks and money at call and short notice	7	35,421,148	16,407,439
Investments	8	455,747,851	377,753,510
Advances	9	643,958,205	539,089,650
Fixed assets	10	41,470,671	41,257,334
Other assets	11	76,415,233	70,734,188
TOTAL		<u>1,307,476,062</u>	<u>1,094,331,678</u>
Contingent liabilities	12	2,120,203,307	937,472,700
Bills for collection		15,109,352	13,367,843
Significant accounting policies and notes to accounts	18		

The Schedules referred to above form an integral part of the Consolidated Balance Sheet.

As per our report of even date

For and on behalf of the Board of Directors

For S. R. BATLIBOI & CO.
Chartered Accountants

N. VAGHUL
Chairman

K. V. KAMATH
Managing Director & CEO

per VIREN H. MEHTA
a Partner

LALITA D. GUPTA
Joint Managing Director

KALPANA MORPARIA
Deputy Managing Director

CHANDA D. KOCHHAR
Executive Director

NACHIKET MOR
Executive Director

Place : Mumbai
Date : April 30, 2004

JYOTIN MEHTA
General Manager &
Company Secretary

N. S. KANNAN
Chief Financial Officer &
Treasurer

G. VENKATAKRISHNAN
General Manager -
Accounting & Taxation Group

consolidated profit and loss account

for the year ended March 31, 2004

	Schedule	(Rs. in '000s)	Year ended 31.03.2003
I. INCOME			
Interest earned	13	92,443,183	96,908,195
Other income	14	45,530,181	25,239,011
Profit on sale of shares of ICICI Bank Limited held by erstwhile ICICI Limited		—	11,910,517
Share in affiliates		3	—
TOTAL		137,973,367	134,057,723
II. EXPENDITURE			
Interest expended	15	71,676,576	81,267,904
Operating expenses	16	41,934,253	27,482,541
Provisions and contingencies	17	8,566,214	13,791,720
TOTAL		122,177,043	122,542,165
III. PROFIT/LOSS			
Net profit for the year		15,796,324	11,515,558
Minority interest P/L credit/(debit)		(7,459)	(4,400)
Net profit after minority interest		15,803,783	11,519,958
Profit brought forward		10,962	197,889
TOTAL		15,814,745	11,717,847
IV. APPROPRIATIONS/TRANSFERS			
Statutory Reserve		4,093,000	3,020,000
Transfer from Debenture Redemption Reserve		—	(100,000)
Capital Reserve		2,658,700	2,000,000
Investment Fluctuation Reserve		2,760,000	1,000,000
Special Reserve		339,550	500,000
Revenue and other Reserves		—	100,000
Proposed equity share dividend		5,440,592	4,597,758
Proposed preference share Dividend		35	35
Interim dividend paid		—	—
Corporate dividend tax		858,828	589,092
Balance carried over to Balance Sheet		(335,960)	10,962
TOTAL		15,814,745	11,717,847
Significant accounting policies and notes to accounts .	18		
Earning per share (Refer note B. 7)			
Basic (Rs.)		25.73	18.79
Diluted (Rs.)		25.52	18.77

The Schedules referred to above form an integral part of the Consolidated Profit and Loss Account.

As per our report of even date

For and on behalf of the Board of Directors

For S. R. BATLIBOI & CO.
Chartered Accountants

N. VAGHUL
Chairman

K. V. KAMATH
Managing Director & CEO

per VIREN H. MEHTA
a Partner

LALITA D. GUPTA
Joint Managing Director

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Executive Director

Place : Mumbai
Date : April 30, 2004

JYOTIN MEHTA
General Manager &
Company Secretary

N. S. KANNAN
Chief Financial Officer &
Treasurer

G. VENKATAKRISHNAN
General Manager -
Accounting & Taxation Group

schedules



forming part of the Consolidated Balance Sheet as on March 31, 2004

	(Rs. in '000s)	As on 31.03.2003
SCHEDULE 1 — CAPITAL		
Authorised Capital		
1,550,000,000 equity shares of Rs.10 each	15,500,000	15,500,000
(March 31, 2003: 1,550,000,000 equity shares of Rs. 10 each)		
350 preference shares of Rs.10 million each	3,500,000	3,500,000
Issued, Subscribed and Paid-up Capital		
613,021,301 (March 31, 2003: 613,031,404) equity shares of Rs. 10 each ¹	6,130,213	6,130,314
Less : Calls unpaid	—	(3,744)
Forfeited 13,103 (March 31, 2003: Nil) equity shares of Rs. 10 each	93	—
Add : Issued 3,370,604 (March 31, 2003: 3,000) equity shares of Rs. 10 each on exercise of employee stock options	33,706	30
TOTAL	6,164,012	6,126,600
Preference Share Capital ²		
[Represents face value of 350 preference shares of Rs. 10 million each issued to preference share holders of erstwhile ICICI Limited on amalgamation redeemable at par on April 20, 2018]	3,500,000	3,500,000
TOTAL	9,664,012	9,626,600

^{1.} Includes :-

- 31,818,180 underlying equity shares consequent to the ADS issue
- 23,539,800 equity shares issued to the equity share holders of Bank of Madura Limited on amalgamation
- 264,465,582 equity shares issued to the equity share holders [excluding ADS holders] of ICICI Limited on amalgamation
- 128,207,142 underlying equity shares issued to the ADS holders of ICICI Limited on amalgamation

^{2.} The notification from Ministry of Finance has currently exempted the Bank from the restriction of section 12 (1) of the Banking Regulation Act, 1949, which prohibits issue of preference shares by banks.

schedules

forming part of the Consolidated Balance Sheet as on March 31, 2004

Continued

	(Rs. in '000s)	As on 31.03.2003
SCHEDULE 2 — RESERVES AND SURPLUS		
I. Statutory reserve		
Opening balance (other than joint ventures)	5,672,327	2,627,337
Additions during the year (other than joint ventures)	4,099,700	3,044,990
Deductions during the year	—	—
Closing balance	9,772,027	5,672,327
II. Debenture redemption reserve		
Opening balance (other than joint ventures)	—	100,000
Additions during the year	—	—
Deductions during the year	—	100,000
Closing balance	—	—
III. Special reserve		
Opening balance (other than joint ventures)	11,585,396	10,973,030
Additions during the year (other than joint ventures)	339,550	612,366
Deductions during the year	—	—
Closing balance	11,924,946	11,585,396
IV. Share premium		
Opening balance for joint ventures	206,871	206,871
Opening balance for others *	8,158,521	8,134,154
Additions during the year (on exercise of employee stock options) .	477,583	285
Deductions during the year	—	—
Closing balance	8,842,975	8,341,310
V. Investment fluctuation reserve		
Opening balance (other than joint ventures)	1,293,372	403,950
Additions during the year (other than joint ventures)	6,509,954	889,422
Deductions during the year	—	—
Closing balance	7,803,326	1,293,372
VI. Capital reserve		
Opening balance (other than joint ventures)	2,137,700	141,300
Additions during the year (other than joint ventures)	2,675,466	2,000,000
Deductions during the year (other than joint ventures) **	—	3,600
Closing balance	4,813,166	2,137,700
VII. Revenue and other reserves		
Opening balance for joint ventures	13,429	6,487
Opening balance for others *	31,540,484	31,379,819
Additions during the year for joint ventures	131,165	6,942
Additions during the year for others	—	160,665
Deductions during the year for others ***	3,446,319	—
Closing balance	28,238,759	31,553,913
VIII. Balance in profit and loss account for others	—	1,900,017
Balance in profit and loss account for joint ventures	—	(1,889,055)
TOTAL	71,395,199	60,594,980

* Net of share premium in arrears Rs. NIL [March 31, 2003 Rs. 24.1 million]

** Represents effects of deconsolidation of certain subsidiaries.

*** Includes translation reserve of subsidiaries.

schedules



forming part of the Consolidated Balance Sheet as on March 31, 2004

Continued

	(Rs. in '000s)	As on 31.03.2003
SCHEDULE 3 — DEPOSITS		
A. I. Demand deposits		
i) From banks	1,353,174	919,592
ii) From others	71,097,860	35,259,501
II. Savings bank deposits	83,722,246	37,932,081
III. Term deposits		
i) From banks	50,418,828	53,585,875
ii) From others	474,195,226	351,809,963
TOTAL	680,787,334	479,507,012
B. I. Deposits of branches in India	669,193,942	479,507,012
II. Deposits of branches outside India	11,593,392	—
TOTAL	680,787,334	479,507,012

SCHEDULE 4 — BORROWINGS

I. Borrowings In India

i) Reserve Bank of India	—	8,000,000
ii) Other banks	36,831,073	36,837,487
iii) Other institutions and agencies		
a) Government of India	4,411,459	5,210,408
b) Financial institutions	58,459,540	25,658,489
iv) Borrowings in the form of		
a) Deposits (including deposits taken over from erstwhile ICICI Limited)	4,659,740	6,665,336
b) Commercial paper	742,800	2,270,700
c) Bonds and debentures (excluding subordinated debt)		
Debentures and bonds guaranteed by the Government of India	14,815,000	14,815,000
Tax free bonds	—	800,000
Borrowings under private placement of bonds carrying maturity of one to thirty years from the date of placement	48,150,574	91,289,109
Bonds issued under multiple option/safety bonds series		
— Regular interest bonds	10,953,604	16,722,052
— Deep discount bonds	4,069,486	6,098,808
— Bonds with premium warrants	685,670	588,947
— Encash bonds	1,431,105	1,892,690
— Tax saving bonds	84,889,030	80,125,313
— Easy instalment bonds	—	31,337
— Pension bonds	56,896	54,469
d) Application money pending allotment	—	11,238,896

II. Borrowings outside India

i) From multilateral/bilateral credit agencies		
(guaranteed by the Government of India equivalent of Rs.19,794.3 million)	24,403,563	25,417,795
ii) From international banks, institutions and consortiums	36,795,305	27,947,995
iii) By way of bonds and notes	18,225,826	5,550,996
TOTAL	349,580,671	367,215,827

Secured borrowings in I and II above is Rs. NIL (March 31, 2003 Rs. 8,000.0 million)

schedules

forming part of the Consolidated Balance Sheet as on March 31, 2004

Continued

	(Rs. in '000s)	As on 31.03.2003
SCHEDULE 5 — OTHER LIABILITIES AND PROVISIONS		
I. Bills payable	16,872,412	10,305,536
II. Inter-office adjustments (net)	3,419,337	—
II. Interest accrued	13,691,233	16,270,883
III. Unsecured redeemable debentures/bonds	91,058,612	97,495,259
[Subordinated for Tier II capital]		
IV. Others		
a) Security deposits from clients	9,518,790	3,540,625
b) Sundry creditors	28,493,280	17,337,676
c) Received for disbursements under special program	2,730,091	2,548,454
d) Other liabilities (including provisions) *	19,543,277	25,905,801
TOTAL	185,327,032	173,404,234
* Includes		
a) Proposed dividend Rs. 5,439.9 million [March 31, 2003 Rs. 4,597.8 million]		
b) Corporate dividend tax payable Rs. 697.0 million [March 31, 2003 Rs. 589.1 million]		
c) Provision for standard assets Rs. 3,889.5 million [March 31, 2003 Rs. 3,106.1 million]		

SCHEDULE 6 — CASH AND BALANCES WITH RESERVE BANK OF INDIA

I. Cash in hand (including foreign currency notes)	4,849,242	3,591,341
II. Balances with Reserve Bank of India in current account	49,613,712	45,498,216
TOTAL	54,462,954	49,089,557

SCHEDULE 7 — BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE

I. In India		
i) Balances with banks		
a) in current accounts	3,896,622	2,360,618
b) in other deposit accounts	11,876,568	6,116,918
ii) Money at call and short notice		
a) with banks	—	1,925,000
b) with other institutions	—	3,227,500
TOTAL	15,773,190	13,630,036
II. Outside India		
i) in current accounts	3,013,264	917,824
ii) in other deposit accounts	12,484,027	637,790
iii) Money at call and short notice	4,150,667	1,221,789
TOTAL	19,647,958	2,777,403
GRAND TOTAL (I + II)	35,421,148	16,407,439

schedules



forming part of the Consolidated Balance Sheet as on March 31, 2004

Continued

	(Rs. in '000s)	As on 31.03.2003
SCHEDULE 8 — INVESTMENTS [net of provisions]		
I. Investments in India		
i) Government securities	318,418,688	273,352,054
ii) Other approved securities	301,155	344,477
iii) Shares	29,491,736	26,388,366
iv) Debentures and bonds	64,916,056	62,215,264
v) Associates	13,298	14,426
vi) Others (CPs, mutual fund units, pass through certificates, security receipts etc.) *	42,196,133	15,367,731
TOTAL	455,337,066	377,682,318
II. Investments outside India		
i) Government securities	132,924	—
ii) Others	277,861	71,192
TOTAL	410,785	71,192
GRAND TOTAL (I + II)	455,747,851	377,753,510
* Includes assets against linked liabilities of life insurance business of Rs. 6,401.0 million (March 31, 2003 Rs. 1,540.5 million).		
SCHEDULE 9 — ADVANCES [net of provisions]		
A.		
i) Bills purchased and discounted	12,308,603	4,376,415
ii) Cash credits, overdrafts and loans repayable on demand	61,254,576	31,340,244
iii) Term loans	556,944,528	495,323,675
iv) Securitisation, finance lease and hire purchase receivables	13,450,498	8,049,316
TOTAL	643,958,205	539,089,650
B.		
i) Secured by tangible assets [includes advances against book debt]	593,068,627	506,696,440
ii) Covered by Bank/Government guarantees	6,709,389	16,998,486
iii) Unsecured	44,180,189	15,394,724
TOTAL	643,958,205	539,089,650
C.		
I. Advances in India		
i) Priority sector	145,307,396	89,376,024
ii) Public sector	7,071,294	18,974,073
iii) Banks	433,504	1,013,245
iv) Others	479,623,992	429,190,181
TOTAL	632,436,186	538,553,523
II. Advances outside India		
i) Due from banks	—	—
ii) Due from others		
a) Bills purchased and discounted	5,958,406	—
b) Syndicated loans	1,962,537	—
c) Others	3,601,076	536,127
TOTAL	11,522,019	536,127
GRAND TOTAL (C. I and II)	643,958,205	539,089,650

schedules

forming part of the Consolidated Balance Sheet as on March 31, 2004

Continued

	(Rs. in '000s)	As on 31.03.2003
SCHEDULE 10 — FIXED ASSETS		
I. Premises		
At cost as on March 31 of preceding year	16,335,957	15,584,439
Additions during the year	1,088,888	* 3,752,559
Deductions during the year	(332,847)	* (3,001,041)
Depreciation to date	(1,113,222)	(723,665)
Net block	15,978,776	15,612,292
II. Other fixed assets (including furniture and fixtures)		
At cost as on March 31 of preceding year	11,294,487	7,670,105
Additions during the year	3,478,064	* 4,009,073
Deductions during the year	(182,762)	* (384,691)
Depreciation to date	(5,787,996)	(3,415,418)
Net block	8,801,793	7,879,069
III. Assets given on Lease		
At cost as on March 31 of preceding year	21,546,379	** 23,446,795
Additions during the year	777,257	343,565
Deductions during the year	(1,587,161)	(2,243,981)
Depreciation to date, accumulated lease adjustment and provisions	(4,046,373)	(3,780,406)
Net block	16,690,102	17,765,973
TOTAL	41,470,671	41,257,334

* Includes adjustment amounting to Rs. 1,614.9 million on account of transfer to non banking assets in Schedule 11

** Includes repossessed Leased Asset Rs. 96.0 million

SCHEDULE 11 — OTHER ASSETS

I. Inter-office adjustments (net)	—	1,034,655
II. Interest accrued	15,874,106	19,761,130
III. Tax paid in advance/tax deducted at source (net)	20,019,671	14,192,470
IV. Stationery and stamps	3,600	8,084
V. Non-banking assets acquired in satisfaction of claims *	5,047,938	4,538,354
VI. Others		
a) Advance for capital assets	960,128	1,563,466
b) Outstanding fees and other income	2,749,536	2,527,873
c) Exchange Fluctuation Suspense with Government of India	577,818	923,573
d) Swap suspense	677,012	128,667
e) Others **	30,505,424	26,055,916
TOTAL	76,415,233	70,734,188

* Includes

- assets amounting to Rs. Nil (March 31, 2003 Rs. 1,614.9 million) transferred from premises in Schedule 10
- certain non-banking assets acquired in satisfaction of claims which are in the process of being transferred in the Bank's name.

* * Includes

- Net Deferred Tax Asset of Rs. 4,628.9 million (March 31, 2003 Rs. 5,063.9 million)
- Unamortised costs on account of the early retirement option scheme offered to the employees of the bank of Rs. 1,654.0 million (March 31, 2003 Rs. Nil)
- Debit balance in profit and loss account Rs. 336.0 million (March 31, 2003 Rs. Nil) including for joint ventures Rs. 332.2 million (March 31, 2003 Rs. Nil).

SCHEDULE 12 — CONTINGENT LIABILITIES

I. Claims against the bank not acknowledged as debts	25,146,652	20,365,980
II. Liability for partly paid investments	1,241,429	1,804,936
III. Liability on account of outstanding forward exchange contracts	557,352,618	251,030,498
IV. Guarantees given on behalf of constituents		
a) In India	113,855,978	106,478,281
b) Outside India	6,433,971	—
V. Acceptances, endorsements and other obligations	65,239,936	43,251,942
VI. Currency swaps	44,302,599	29,109,450
VII. Interest rate swaps and currency options	1,266,030,840	455,894,698
VIII. Other items for which the Bank is contingently liable	40,599,284	29,536,915
TOTAL	2,120,203,307	937,472,700

schedules



forming part of the Consolidated Profit and Loss Account for the year ended March 31, 2004

Continued

	(Rs. in '000s)	Year ended 31.03.2003
SCHEDULE 13 — INTEREST EARNED		
I. Interest/discount on advances/bills	61,989,102	61,628,197
II. Income on investments	26,453,853	30,889,875
III. Interest on balances with Reserve Bank of India and other inter-bank funds	2,193,950	2,368,947
IV. Others *	1,806,278	2,021,176
TOTAL	92,443,183	96,908,195
* Includes interest on income tax refund Rs. 406.1 million (March 31, 2003: Rs. 242.9 million)		
SCHEDULE 14 — OTHER INCOME		
I. Commission, exchange and brokerage	12,037,235	8,660,753
II. Profit/(Loss) on sale of investments (net).....	14,175,352	5,866,324
III. Profit/(Loss) on revaluation of investments (net).....	10,430	1,487
IV. Profit/(Loss) on sale of land, buildings and other assets (net)	(32,785)	(66,586)
V. Profit/(Loss) on foreign exchange transactions (net) (including premium amortisation)	2,086,142	102,431
VI. Income pertaining to insurance business	12,809,483	4,963,207
VII. Miscellaneous income (including lease income)	4,444,324	5,711,395
TOTAL	45,530,181	25,239,011
SCHEDULE 15 — INTEREST EXPENDED		
I. Interest on deposits	30,194,309	24,797,095
II. Interest on Reserve Bank of India/inter-bank borrowings	3,230,976	3,076,050
III. Others (including interest on borrowings of erstwhile ICICI Limited)*	38,251,291	53,394,759
TOTAL	71,676,576	81,267,904
* Includes expenses incurred to raise funds Rs. 297.4 million (March 31, 2003: Rs. 622.3 million)		
SCHEDULE 16 — OPERATING EXPENSES		
I. Payments to and provisions for employees	7,106,649	4,894,633
II. Rent, taxes and lighting	1,855,998	1,439,530
III. Printing and stationery	954,119	807,914
IV. Advertisement and publicity.....	1,247,016	892,789
V. Depreciation on Bank's property (including non banking assets).....	2,803,542	2,035,237
VI. Depreciation (including lease equalisation) on leased assets	2,805,368	3,166,538
VII. Directors' fees, allowances and expenses	8,372	2,199
VIII. Auditors' fees and expenses	30,673	20,252
IX. Law charges.....	571,637	178,387
X. Postages, telegrams, telephones, etc.	1,600,421	1,133,398
XI. Repairs and maintenance	2,080,307	1,555,653
XII. Insurance	371,742	269,697
XIII. Expenses pertaining to insurance business	11,888,585	4,210,695
XIV. Other expenditure	8,609,824	6,875,619
TOTAL	41,934,253	27,482,541
SCHEDULE 17 — PROVISIONS AND CONTINGENCIES		
I. Income tax		
- Current period tax	3,465,972	2,957,051
- Deferred tax adjustment	(91,633)	(6,518,520)
II. Wealth tax.....	24,017	22,500
III. Additional depreciation/ (write-back of depreciation) on investments (net)	86,795	2,444,174
IV. Provision for advances (net)*	4,123,127	13,282,615
V. Prudential provision on standard assets	750,000	1,540,000
VI. Others	207,936	63,900
TOTAL	8,566,214	13,791,720
* Includes provision on non performing advances, non performing leased assets and other receivables		

SCHEDULE 18

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

Overview

ICICI Bank Limited together with its subsidiaries, joint ventures and associates (collectively, the Group) is a diversified financial services group providing a variety of banking and financial services including project finance, working capital finance, venture capital finance, investment banking, treasury products and services, retail banking and broking.

ICICI Bank Limited ("ICICI Bank" or "the Bank"), incorporated in Vadodara, India is a publicly held bank engaged in providing a wide range of banking and financial services including commercial banking and treasury operations. ICICI Bank is a banking company governed by the Banking Regulation Act, 1949.

Principles of consolidation

The consolidated financial statements include the accounts of ICICI Bank Limited, its subsidiaries, associates and joint ventures.

The Bank consolidates all subsidiaries as defined in accounting standard ("AS") 21 "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India ("ICAI") on line by line basis by adding together like items of assets, liabilities, income and expenses. Further, the Bank accounts for investments in associates as defined by AS 23 "Accounting for Investments in Associates in Consolidated Financial Statements" by the equity method of accounting. The Bank has investments in certain joint ventures, which have been consolidated by the proportionate consolidation method as required by AS 27 on "Financial Reporting of Interests in Joint Ventures."

Basis of preparation

The accounting and reporting policies of the Group used in the preparation of these financial statements conform with the Accounting Standards issued by ICAI, the guidelines issued by the Reserve Bank of India ("RBI"), Insurance Regulatory and Development Association ("IRDA") and National Housing Bank ("NHB") from time to time as applicable to relevant companies and generally accepted accounting principles prevailing in India.

The Group follows the accrual method of accounting except where otherwise stated and historical cost convention.

The preparation of financial statements requires the management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

The consolidated financial statements include the results of the following entities:

Sr. No.	Name of the company	Country/ residence	Relation	Ownership interest
1.	ICICI Securities Limited	India	Subsidiary	99.92%
2.	ICICI Brokerage Services Limited	India	Subsidiary	99.92%
3.	ICICI Securities Inc.	USA	Subsidiary	99.92%
4.	ICICI Securities Holding Inc.	USA	Subsidiary	99.92%
5.	ICICI Venture Funds Management Company Limited	India	Subsidiary	99.99%
6.	ICICI Home Finance Company Limited	India	Subsidiary	100.00%
7.	ICICI Trusteeship Services Limited	India	Subsidiary	100.00%
8.	ICICI Investment Management Company Limited	India	Subsidiary	100.00%
9.	ICICI International Limited	Mauritius	Subsidiary	100.00%
10.	ICICI Bank UK Limited	United Kingdom	Subsidiary	100.00%
11.	ICICI Distribution Finance Private Limited	India	Subsidiary	100.00%
12.	ICICI Bank Canada	Canada	Subsidiary	100.00%
13.	ICICI Property Trust	India	Direct holding	100.00%
14.	ICICI Eco-net Internet & Technology Fund	India	Direct holding	92.12%
15.	ICICI Equity Fund	India	Direct holding	100.00%
16.	ICICI Emerging Sectors Fund	India	Direct holding	98.88%
17.	ICICI Strategic Investments Fund	India	Direct holding	100.00%

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The financial statements of the subsidiaries used in the consolidation are drawn upto the same reporting date as that of the Bank, i.e. year ended March 31, 2004.

ICICI Bank Canada was incorporated as a 100% subsidiary of ICICI Bank Limited on September 12, 2003. The Canada Deposit Insurance Corporation, admitted the Bank to its membership on September 24, 2003, giving it the ability to mobilize retail deposits from across Canada.

During the year the Bank has acquired 100% stake in Transamerica Apple Distribution Finance Private Limited with effect from May 7, 2003. Subsequently with effect from June 3, 2003 the name has been changed to ICICI Distribution Finance Private Limited.

As per the approval of the RBI dated March 31, 2003 received by the Bank for the above acquisition, the Bank is required to initiate proceedings for the voluntary winding up of the company after the business is transferred to the Bank's balance sheet. Hence, the financials of this company are not prepared on a going concern basis.

Adjustments relating to the recoverability and the classification of recorded asset amount or to amounts and classification of liabilities that may be necessary on winding up of the company have been made on management's assessment of the same.

All assets and liabilities have been stated at net realisable value.

The investment in TCW/ICICI Investment Partners L.L.C. (holding of the Bank is 50%) is accounted under equity method as per AS 23.

The Bank has adopted AS 27 and the investments in the following companies have been accounted in accordance with the provisions of AS 27 :-

Sr. No.	Name of the company	Country/ residence	Percentage holding
1	ICICI Prudential Life Insurance Company Limited	India	74.00%
2	ICICI Lombard General Insurance Company Limited	India	74.00%
3	Prudential ICICI Asset Management Company Limited	India	**44.99%
4	Prudential ICICI Trust Limited	India	**44.80%

** Indicates holding by ICICI Bank Limited along with its subsidiaries.

Equity issue of ICICI Bank Limited

The Board of Directors, pursuant to a resolution dated February 10, 2004, authorised an equity issue amounting to Rs. 30,500 million through a book built issue with a green shoe option of Rs. 4,500 million subject to the approval of shareholders under Section 81(1A) of the Companies Act, at the extraordinary general meeting to be held on March 12, 2004. The shareholders have pursuant to a resolution dated March 12, 2004 under Section 81(1A) of the Companies Act, authorised the issue and the green shoe option.

Subsequent to the balance sheet date the Bank has issued 108,928,571 equity shares of Rs.10 each at a premium of Rs. 270 per share aggregating to Rs. 30,500 million. The Bank has also over-allocated 16,071,429 equity shares of Rs.10 each at a price of Rs. 280 per equity share (fully paid up) under the green shoe option.

A. SIGNIFICANT ACCOUNTING POLICIES

1. Revenue Recognition

ICICI Bank Limited

- Interest income is recognised in the profit and loss account as it accrues except in the case of non-performing assets where it is recognised upon realisation as per the prudential norms of the RBI. Accrual of income is also suspended considering economic conditions and other risk factors, on certain other loans, including certain projects under implementation, where the implementation has been significantly delayed and in the opinion of the management significant uncertainties exist as to the final financial closure and/or date of completion of the project.
- Income from hire purchase operations is accrued by applying the interest rate implicit on outstanding balances.

- c) Income from leases is calculated by applying the interest rate implicit in the lease to the net investment outstanding on the lease over the primary lease period. Leases effected from April 1, 2001 have been accounted as per Accounting Standard 19 on "Accounting for leases" issued by the ICAI.
- d) Income on discounted instruments is recognised over the tenure of the instrument on a constant yield basis.
- e) Dividend is accounted on an accrual basis when the right to receive the dividend is established.
- f) Fees received as a compensation of future interest sacrifice is amortised over the remaining period of the facility.
- g) Arranger's fee is accrued proportionately where more than 75% of the total amount of finance has been arranged.
- h) All other fees are recognised upfront on their becoming due.
- i) Income arising from sell down of loan assets is recognised upfront net of future servicing cost of assets sold and projected delinquencies and included in Interest income.
- j) Guarantee commission is recognised over the period of the guarantee.

Other entities

- k) Fees earned on non-fund based activities such as issue management, loan syndication, financial advisory services etc., are recognised based on the stage of completion of assignments and the bills raised for the recovery of fees.
- l) Income from brokerage activities is recognised as income on the trade date of the transaction. Related expenditure incurred for procuring business are accounted for as procurement expenses.
- m) In case of life insurance business, insurance premium is recognised as income when due. Uncollected premium on lapsed policies is recognised as income when such policies are reinstated. For linked business, premium is recognised when the associated units are allotted. Fees on linked policies is recognised when due.

In case of general insurance business, insurance premium is recognised as income over the contract period or over the period of risk. Any subsequent revision to premium is recognised over the remaining period of risk or contract period. Adjustments to premium income arising on cancellation of policies is recognised in the year in which it is cancelled. Premium deficiency is recognised if the sum of expected claim costs, related expenses and maintenance costs exceeds related reserves for unexpired risks.

Commission on reinsurance business is recognized at the inception of the contract as income in the year of ceding the risk.

2. Investments

ICICI Bank Limited

Investments are valued in accordance with the extant RBI guidelines on investment classification and valuation as under:

- a) All investments are categorised into 'Held to Maturity', 'Available for sale' and 'Trading'. Reclassifications, if any, in any category are accounted for as per the RBI guidelines. Under each category the investments are further classified under (a) Government securities (b) other approved securities (c) shares (d) bonds and debentures (e) subsidiaries and joint ventures and (f) others.
- b) 'Held to Maturity' securities are carried at their acquisition cost or at amortised cost if acquired at a premium over the face value. A provision is made for other than temporary diminution.
- c) 'Available for sale' and 'Trading' securities are valued periodically as per RBI guidelines.

The market/fair value for the purpose of periodical valuation of quoted investments included in the 'Available for Sale' and 'Held for Trading' categories is the market price of the scrip as available from the trades/quotes on the stock exchanges, SGL account transactions, price list of RBI or prices declared by Primary Dealers Association of India jointly with Fixed Income Money Market and Derivatives Association ("FIMMDA") periodically.

The market/fair value of unquoted SLR securities included in the 'Available for Sale' and 'Trading' categories is as per the rates put out by FIMMDA.

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The valuation of non-SLR securities, other than those quoted on the stock exchanges, wherever linked to the Yield-to-Maturity ("YTM") rates, is with a mark-up (reflecting associated credit risk) over the YTM rates for government securities put out by FIMMDA.

The unquoted equity shares are valued at the book value, if the latest balance sheet is available or at Re. 1.

Securities are valued scrip-wise and depreciation/appreciation aggregated for each category. Net appreciation in each basket if any, being unrealised, is ignored, while net depreciation is provided for.

- d) Costs such as brokerage, commission etc., pertaining to investments, paid at the time of acquisition, are charged to revenue.
- e) Broken period interest on debt instruments is treated as a revenue item.
- f) Investments in subsidiaries/joint ventures are categorised as 'Held to Maturity' in accordance with the RBI guidelines.
- g) Profit on sale of investment in the 'Held to Maturity' category is credited to the revenue account and thereafter is appropriated (net of applicable taxes and statutory reserve requirements) to capital reserve.
- h) At each reporting year-end, security receipts issued by the asset reconstruction company are valued in accordance with the guidelines applicable to non-SLR instruments prescribed by RBI from time to time. Accordingly, in case where the security receipts issued by the asset reconstruction company are limited to the actual realisation of the financial assets assigned to the instruments in the concerned scheme, the Bank reckons the Net Asset Value (NAV), obtained from the asset reconstruction company from time to time, for valuation of such investments at each reporting period end.

Other entities

In case of investments by ICICI Equity Fund, ICICI Eco-net Internet and Technology Fund, ICICI Emerging Sectors Fund and ICICI Strategic Investments Fund, brokerage, commission and stamp duty are included in the cost of acquisition while front-end fees earned are netted off from cost of investments.

ICICI Equity Fund, ICICI Eco-net Internet and Technology Fund, ICICI Emerging Sectors Fund and Strategic Investment Fund (schemes of ICICI Venture Capital Fund) value their investments as per Securities and Exchange Board of India ("SEBI") guidelines issued from time to time. Total investments of these funds amount to Rs. 16,778.1 million. Unrealised gains and temporary losses on investments are recognised as components of investors' equity and are dealt with under Unrealised Investment Reserve.

ICICI International Limited values its investments in accordance with International Accounting Standard ("IAS") 39 (Financial Instruments: Recognition and Measurement). Total investments of the subsidiary amount to Rs. 13.1 million.

ICICI Securities Limited, ICICI Brokerage Services Limited, ICICI Securities Inc., and ICICI Securities Holding Inc., include brokerage and stamp duty payable to arrive at the cost of investments. However, in respect of securities held as stock-in-trade, brokerage and stamp duty are written off as revenue expenditure. Commission earned in respect of securities held as stock-in-trade and investments acquired from the primary market and on devolvement are adjusted from the cost of acquisition. Total investments of such subsidiaries amount to Rs. 22,456.2 million.

Other entities other than ICICI Bank UK Limited and ICICI Bank Canada value their investments as per AS 13 "Accounting for Investments" issued by ICAI. Total investments of such subsidiaries amount to Rs. 943.4 million.

Insurance joint ventures

ICICI Prudential Life Insurance Company Limited and ICICI Lombard General Insurance Company Limited are governed by Insurance Act 1938 which value their investments in accordance with the provisions of Insurance Regulatory and Development Authority Regulation, 2002. Total investments of these two joint ventures amount to Rs. 14,698.1 million.

In case of insurance joint ventures, unrealised gain / loss arising on account of such valuation is taken to equity under the head "Fair Value change account".

3. Provisions/Write-offs on loans and other credit facilities

ICICI Bank Limited

- a) All credit exposures are classified as per the RBI guidelines, into performing and non-performing assets. Further, non-performing assets are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by the RBI. Provisions are made on substandard and doubtful assets at rates equal to or higher than those prescribed by

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the RBI. The secured portion of the substandard and doubtful assets is provided at 50% over a three-year period instead of five and a half years as prescribed by the RBI. Loss assets and unsecured portion of doubtful assets are fully provided/written off. Additional provisions are made against specific non-performing assets over and above what is stated above, if in the opinion of the management, increased provisions are necessary.

- b) For restructured/rescheduled assets, provision is made in accordance with the guidelines issued by the RBI, which requires the present value of the interest sacrifice be provided at the time of restructuring.
- c) In the case of other than restructured loan accounts classified as NPAs, the account is reclassified as "standard" account if arrears of interest and principal are fully paid by the borrower.

In respect of non-performing loan accounts subject to restructuring, asset category is upgraded to standard account if the borrower demonstrates, over a minimum period of one year, the ability to repay the loan in accordance with the contractual terms.

- d) The Bank has incorporated the assets taken over from erstwhile ICICI Limited ("ICICI") in its books at carrying values as appearing in the books of ICICI with a provision made based on the fair valuation exercise carried out by an independent firm. To the extent future provisions are required on the assets taken over from ICICI, the provision created on fair valuation of the assets at the time of the amalgamation is used.
- e) Amounts recovered against other debts written off in earlier years and provisions no longer considered necessary in the context of the current status of the borrower are recognised in the Profit and Loss Account.
- f) In addition to the general provision of 0.25% made on standard assets in accordance with the RBI guidelines, the Bank maintains general provisions to cover potential credit losses which are inherent in any loan portfolio but not identified. For standard assets, additional general provisions are determined having regard to overall portfolio quality, asset growth, economic conditions and other risk factors.
- g) In addition to the provisions required to be held according to the asset classification status, provisions are held for individual country exposure (other than for home country). The countries are categorised into seven risk categories namely insignificant, low, moderate, high, very high, restricted and off-credit and provisioning made on exposures exceeding 90 days on a graded scale ranging from 0.25% to 100%. For exposures with contractual maturity of less than 90 days, 25% of the normal provision requirement is held. If the country exposure (net) of the Bank in respect of each country does not exceed 2% of the total funded assets, no provision will be maintained on such country exposure.

Other subsidiaries

The policy of provisioning against non-performing loans and advances has been decided by the management considering prudential norms issued by the respective governing regulatory authority.

4. Fixed assets and depreciation

ICICI Bank Limited

Premises and other fixed assets are carried at cost less accumulated depreciation. Depreciation is charged over the estimated useful life of a fixed asset on a "straight line" basis. The rates of depreciation for fixed assets, which are not lower than the rates prescribed in schedule XIV of the Companies Act, 1956, are as follows:

Asset	Depreciation Rate
Premises owned by the Bank	1.63%
Improvements to leasehold premises	1.63% or over the lease period, whichever is higher
ATMs	12.50%
Plant and machinery like air conditioners, xerox machines, etc.	10%
Furniture and fixtures	15%
Motor vehicles	20%
Computers	33.33%
Others (including software and system development expenses)	25%

- a) Depreciation on leased assets is made on a straight-line basis at the higher of the rates determined with reference to the primary period of lease and the rates specified in Schedule XIV to the Companies Act, 1956.
- b) Assets purchased/sold during the year are depreciated on the basis of actual number of days the asset has been put to use.
- c) Items costing less than Rs. 5,000 are depreciated at the rate of 100%.

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Other entities

- d) In case of ICICI Venture Funds Management Company Limited, depreciation on assets, other than leased assets, is charged on written down value method in accordance with the provisions of Schedule XIV of the Companies Act, 1956. The gross block, accumulated depreciation and net block in respect of such fixed assets as on March 31, 2004 for the subsidiary was Rs. 87.6 million, Rs. 40.7 million and Rs. 46.9 million respectively.
- e) In case of ICICI Securities Limited, ICICI Brokerage Services Limited, ICICI Securities Holding Inc. and ICICI Securities Inc., depreciation on assets, other than leased assets and improvements to leased property, is charged on written down value method in accordance with the provisions of Schedule XIV of the Companies Act, 1956. The gross block, accumulated depreciation and net block in respect of such fixed assets as on March 31, 2004 for these subsidiaries was Rs. 195.3 million, Rs. 87.8 million and Rs. 107.5 million respectively.
- f) In case of Prudential ICICI Asset Management Company Limited, fixed assets other than leasehold improvements are depreciated at written down value method based on economic lives of the assets as estimated by the management. The gross block, accumulated depreciation and net block in respect of such fixed assets as on March 31, 2004 was Rs. 138.9 million, Rs. 101.5 million and Rs. 37.4 million respectively.
- g) In case of ICICI Bank Canada, fixed assets other than leasehold improvements are depreciated using straight-line method over the estimated useful lives of the assets as estimated by the management. The gross block, accumulated depreciation and net block in respect of such fixed assets as on March 31, 2004 was Rs. 45.9 million, Rs. 1.6 million and Rs. 44.3 million respectively.
- h) In case of ICICI Bank UK, fixed assets other than leasehold improvements are depreciated using straight-line method over the estimated useful economic lives of the assets as estimated by the management. The gross block, accumulated depreciation and net block in respect of such fixed assets as on March 31, 2004 was Rs. 80.8 million, Rs. 8.8 million and Rs. 72.0 million respectively.

5. Foreign currency transactions

ICICI Bank Limited

- a) Income and expenditure items are translated at the exchange rates prevailing on the date of the transaction. Monetary assets and liabilities are translated at closing exchange rates notified by the Foreign Exchange Dealers' Association of India ("FEDAI") at the balance sheet date and the resulting profits/losses are included in the profit and loss account.
- b) Outstanding forward exchange contracts are stated at contracted rates and are revalued at the exchange rates notified by FEDAI for specified maturities and at interpolated rates for contracts of in-between maturities. The resultant gains or losses are recognised in the profit and loss account.
- c) Contingent liabilities on account of guarantees, endorsements and other obligations are stated at the exchange rates notified by FEDAI at the balance sheet date.

Other entities

Financial statements of foreign subsidiaries/associates – ICICI Securities Holding Inc., ICICI Securities Inc., ICICI Bank UK Limited, ICICI Bank Canada, ICICI International Limited and TCW/ICICI Investment Partners L.L.C. have been converted in accordance with Accounting Standard 11 on "The effects of changes in foreign exchange rates".

6. Accounting for derivative contracts

ICICI Bank Limited

The Bank enters into derivative contracts such as foreign currency options, interest rate and currency swaps and cross currency interest rate swaps to hedge on-balance sheet assets and liabilities or for trading purposes.

The swap contracts entered to hedge on-balance sheet assets and liabilities are structured in such a way that they bear an opposite and offsetting impact with the underlying on-balance sheet items. The impact of such derivative instruments are correlated with the movement of underlying assets and accounted pursuant to the principles of hedge accounting.

Trading swaps and foreign currency options, outstanding at the balance sheet date are marked to market and the resulting loss, if any, is recorded in the profit and loss account.

Other entities

In case of ICICI Securities Limited and its subsidiaries,

- a) The gains are recognised only on settlement / expiry of the derivative instruments.
- b) All open positions are marked to market and the unrealised gains / loss are netted off on a scrip-wise basis. Mark-to-market gains, if any, are not recognised.
- c) Debit / credit balances on open positions are shown as current assets / liabilities, as the case may be.

7. Employee Stock Option Scheme ("ESOS")

The Bank has formulated an employees stock option scheme. The scheme provides that employees are granted an option to acquire equity shares of the Bank that vests in graded manner. The options may be exercised within a specified period. The Bank follows the intrinsic value method for computing the compensation cost, if any, for all options granted.

8. Staff retirement benefits

For employees covered under group gratuity scheme and group superannuation scheme of LIC, gratuity and superannuation charge to profit and loss account is on the basis of premium charged by LIC. Provision for gratuity and pension for other employees and leave encashment liability are determined as per actuarial valuation. Defined contributions for Provident Fund are charged to the profit and loss account based on contributions made in terms of the scheme.

The Bank provides for pension, a deferred retirement plan covering certain employees. The plan provides for a pension payment on a monthly basis to these employees on their retirement based on the respective employee's salary and years of employment with the Bank. Employees covered by the pension plan are not eligible for benefits under the provident fund plan, a defined contribution plan. The pension plan is funded through periodic contributions to a fund set-up by the Bank and administered by a Board of Trustees. Such contributions are actuarially determined.

9. Income taxes

Income tax expense is the aggregate amount of current tax and deferred tax charge. Current year taxes are determined in accordance with the Income Tax Act, 1961. Deferred tax adjustments comprise of changes in the deferred tax assets or liabilities during the period.

Deferred tax assets and liabilities are recognised for the future tax consequences of timing differences arising between the carrying values of assets and liabilities and their respective tax basis and operating carry forward losses. Deferred tax assets are recognised only after giving due consideration to prudence. Deferred tax asset and liabilities are measured using tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date. The impact on account of changes in the deferred tax assets and liabilities is also recognised in the income statement.

Deferred tax assets are recognised and realised at each year end, based upon management's judgement as to whether realisation is considered reasonably certain. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax asset can be realised against future profits.

10. Translation of the financial statements of foreign offices

In accordance with the guidelines issued by the RBI, all assets, liabilities, income and expenditure of the foreign representative offices and branches of the Bank have been converted at the closing rate prevailing on the balance sheet date. The resultant gains or losses are recognised in the profit and loss account.

11. Other

a. Reinsurance premium of insurance business

Insurance premium on ceding of the risk is recognised in the year in which the risk commences, over the period of contract or period of risk, whichever is appropriate. Any subsequent revision to premium ceded is recognised over the remaining period of risk or contract period. Adjustment to reinsurance premium arising on cancellation of policies is recognised in the year in which it is cancelled.

b. Liability for life policies in force

In respect of life insurance business, liability for life policies in force and also policies in respect of which premium has been discontinued but a liability exists, is determined by the Appointed Actuary on the basis of an annual review of the life insurance business, as per the gross premium method in accordance with accepted actuarial practice, requirements of the IRDA and the Actuarial Society of India. The linked policies sold by the Company carry two types of liabilities - unit liability representing the fund value of policies and non-unit liability for future expenses, meeting death claims, income taxes and cost of any guarantees.

B. NOTES FORMING PART OF THE ACCOUNTS

1. Preference shares

Certain Government Securities amounting to Rs. 1,455.1 million (March 31, 2003: Rs. 1,244.8 million) have been earmarked against redemption of preference share capital, which falls due for redemption on April 20, 2018 as per the original issue terms.

2. Subordinated debt

Subordinated debt includes index bonds amounting to Rs. 110.4 million (March 31, 2003: Rs. 95.8 million) which carry a detachable warrant entitling bondholders to a right to receive an amount linked to the BSE Sensitive index

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("Sensex") per terms of the issue. The liability of the Bank arising out of changes in the Sensex has been hedged by earmarking its investments of an equivalent amount in the UTI Index Equity Fund whose value is based on the Sensex. The Bank has not issued any subordinated debt during the year.

3. Employee stock option scheme

In terms of employee stock option scheme, the maximum number of options granted to any eligible employee in a financial year shall not exceed 0.05% of the issued equity shares of the Bank at the time of grant of the options and aggregate of all such options granted to the eligible employees shall not exceed 5% of the aggregate number of the issued equity shares of the Bank subsequent to the amalgamation of ICICI, ICICI Capital Services Limited and ICICI Personal Financial Services Limited with the Bank and the issuance of equity shares by the Bank pursuant to the amalgamation of ICICI, ICICI Capital Services Limited and ICICI Personal Financial Services Limited with the Bank.

In terms of the Scheme, 15,964,982 options (March 31, 2003: 12,610,275 options) granted to eligible employees were outstanding at March 31, 2004.

A summary of the status of the Bank's option plan is given below:

	Year ended March 31, 2004	Year ended March 31, 2003
	Option shares outstanding	Option shares outstanding
Outstanding at the beginning of the year	12,610,275	13,343,625
Add : Granted during the year	7,491,800	—
Less: Forfeited/lapsed during the year	766,489	730,350
Exercised during the year	3,370,604	3,000
Outstanding at the end of the year	15,964,982	12,610,275

4. Early retirement option ("ERO")

The Bank has implemented Early Retirement Option scheme 2003 to its employees in July 2003. All employees who had completed 40 years of age and seven years of service with the Bank (including period of service with entities amalgamated with the Bank) were eligible for the ERO.

In accordance with the treatment approved by the RBI, the ex-gratia payments under ERO and termination benefits and leave encashment in excess of the provisions made (net of tax benefits), aggregating to Rs. 1,910.0 million are being amortised over a period of five years commencing August 1, 2003 (the date of retirement of employees exercising the Option being July 31, 2003).

During the year, an amount of Rs. 256.0 million has been charged to revenue on account of ERO scheme being the proportionate amount amortised for the eight month period ended March 31, 2004.

5. Deferred tax

On March 31, 2004, the Group has recorded net deferred tax asset of Rs. 4,628.8 million, (March 31, 2003 : Rs. 5,063.9 million) which has been included in Other Assets.

A composition of deferred tax assets and liabilities into major items is given below:

	(Rupees in million)	
Particulars	March 31, 2004	March 31, 2003
Deferred tax asset		
Amortisation of premium on investments	—	527.4
Provision for bad and doubtful debts	13,664.6	13,164.1
Others	254.3	889.3
	13,918.9	14,580.8
Less : Deferred tax liability		
Depreciation on fixed assets	9,001.5	9,275.0
Others	288.6	241.9
	9,290.1	9,516.9
Net Deferred tax asset/(liability)	4,628.8	5,063.9

6. Related party transactions

The Group has entered into transactions with the following related parties

- Joint ventures and associates of the Bank;
- Key management personnel and their relatives

Insurance services

During the year ended March 31, 2004 the Company paid insurance premium to insurance joint ventures amounting to Rs.157.2 million (2003: Rs. 163.7 million). During the year ended March 31, 2004 the Bank received claims from insurance joint ventures amounting to Rs. 85.6 million (2003: Rs. 58.0 million)

Fees

During the year ended March 31, 2004 the Bank received fees from its insurance joint ventures amounting to Rs. 65.3 million (2003: Rs. 17.1 million)

Lease of premises and facilities

During the year ended March 31, 2004, the Bank received for lease of premises, facilities and other administrative costs from its joint ventures amounting to Rs. 186.1 million (2003: Rs. 92.8 million).

Secondment of employees

During the year ended March 31, 2004, the Bank received from its joint ventures Rs.14.2 million (2003: Rs. 12.0 million) for secondment of employees.

Interest paid

During the year ended March 31, 2004, the Bank paid interest to its joint ventures amounting to Rs. 26.1 million (2003: Rs. 9.5 million).

Interest received

During the year ended March 31, 2004, the Bank received interest from joint ventures Rs. 0.2 million (2003: Rs. 0.3 million) and its key management personnel amounting to Rs. 0.4 million (2003: Rs. 0.5 million).

Remuneration to directors

Remuneration paid to the directors of the Bank during the year ended March 31, 2004 was Rs. 58.5 million (2003: Rs. 41.0 million).

Related party balances

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

Items/Related Party	Joint ventures and Associates	Key Management Personnel [@]	Total
Deposit	964.8	23.1	987.9
Advances	—	10.2	10.2
Receivables	251.7	—	251.7
Payables	10.6	—	10.6

The following balances payable to/receivable from the related parties are included in the balance sheet as on March 31, 2003.
(Rupees in million)

Items/Related Party	Joint ventures and Associates	Key Management Personnel [@]	Total
Deposit	161.5	20.3	181.8
Advances	1.5	14.8	16.3
Receivables	252.0	—	252.0
Payables	2.6	—	2.6

[@] whole time directors of the Board and their relatives

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Continued

Joint ventures and associates

ICICI Prudential Life Insurance Company Limited, ICICI Lombard General Insurance Company Limited, Prudential ICICI Asset Management Company Limited, Prudential ICICI Trust Limited, TCW/ICICI Investment Partners L.L.C.

7. Earnings per share ("EPS")

The group reports basic and diluted earnings per equity share in accordance with Accounting Standard 20, "Earnings Per Share". Basic earnings per share is computed by dividing net profit after tax by the weighted average number of equity shares outstanding for the year. Diluted earnings per share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the year.

The computation of earnings per share is given below:

(Rupees in million except per share data)

	March 31, 2004	March 31, 2003
Basic		
Weighted average no. of equity shares outstanding (Nos)	614,157,868	613,031,569
Net profit	15,803.8	11,520.0
Earnings per share (Rs.)	25.73	18.79
Diluted		
Weighted average no. of equity shares outstanding (Nos)	619,201,380	613,750,295
Net profit	15,803.8	11,520.0
Earnings per share (Rs.)	25.52	18.77
Nominal value per share (Rs.)	10.00	10.00

The dilutive impact is mainly due to options issued to employees by the Bank.

8. Assets under lease

8.1 Assets under operating lease

The future lease rentals are given in the table below:

(Rupees in million)

Period	March 31, 2004	March 31, 2003
Not later than one year	234.4	111.9
Later than one year and not later than five years	981.9	545.6
Later than five years	571.0	472.0
Total	1,787.3	1,129.5

8.2 Assets under finance lease

The future lease rentals are given below:

(Rupees in million)

Period	March 31, 2004	March 31, 2003
Total of future minimum lease payments	1,792.9	1,161.0
Present value of lease payments	1,417.8	818.1
Unmatured finance charges	375.1	342.9
Maturity profile of total of future minimum lease payments		
Not later than one year	397.0	166.0
Later than one year and not later than five years	1,255.6	831.9
Later than five years	140.3	163.1
Total	1,792.9	1,161.0

9. Other

a. Exchange fluctuation

Exchange fluctuation aggregating Rs. 577.8 million (March 31, 2003 : Rs. 923.6 million), which arises on account of rupee-tying agreements with the Government of India, is held in "Exchange Fluctuation Suspense with Government Account" pending adjustment at maturity on receipt of payments from the Government for repayments to foreign lenders.

b. Swap suspense (net)

Swap suspense (net) aggregating Rs. 677.0 million (debit) (March 31, 2003 : Rs. 128.7 million (debit)), which arises out of conversion of foreign currency swaps, is held in "Swap Suspense Account" and will be reversed at conclusion of swap transactions with swap counter parties.

c. Exchange Risk Administration Scheme

Under the Exchange Risk Administration Scheme ("ERAS"), the Government of India has agreed to extend support to the Exchange Risk Administration Fund ("ERAF"), when it is in deficit and recoup its contribution in the event of surplus. The Bank can claim from the positive balance in the ERAF account maintained by the Industrial Development Bank of India (IDBI) to the extent of the deficit in the ERAS Exchange Fluctuation Account. If the balance in the ERAF account with IDBI is insufficient, a claim will be made on the Government of India through IDBI. The Government of India has foreclosed the scheme vide their letter F. No 6 (3)/2002-IF.1 dated January 28, 2003. The total amount payable to the Government of India under the scheme amounting to Rs. 50.0 million has been included in other liabilities.

10. Proposed dividend

Proposed dividend includes the amount of dividend payable to the shareholders of the equity issue made in April 2004 (excluding the shares over-allocated under the green shoe option).

11. The profit and loss account for the year ended March 31, 2004, reports appropriations made by ICICI Bank and appropriation of profits made by the subsidiaries amounting to Rs. 513.0 million have not been considered.

12. Information about business and geographical segments

The Group reports its operations into the following segments:

- **Consumer and commercial banking** comprising the retail and corporate banking business of the Bank, ICICI Home Finance Company Limited, ICICI Bank UK Limited, ICICI Bank Canada and ICICI Distribution Finance Private Limited.
- **Investment banking** comprising the treasury of the Bank, the investment banking business of ICICI Securities Limited and its subsidiaries ICICI Venture Funds Management Company Limited, ICICI Eco-net Internet & Technology Fund, ICICI Equity Fund, ICICI Strategic Investments Fund, ICICI Emerging Sector Fund and ICICI International Limited
- **Others** comprising ICICI Lombard General Insurance Company Limited, ICICI Prudential Life Insurance Company Limited, Prudential ICICI Asset Management Company Limited, Prudential ICICI Trust Limited, ICICI Property Trust, ICICI Investment Management Company Limited, ICICI Trusteeship Services Limited and TCW/ICICI Investment Partner L.L.C. whose individual business is presently not material in relation to the consolidated financials.

Inter segment transactions are generally based on transfer pricing measures as determined by management. Income, expenses, assets and liabilities are either specifically identifiable with individual segments or have been allocated to segments on a systematic basis.

Based on such allocations, Segmental balance sheet as on March 31, 2004 and segmental profit & loss account for the period ended March 31, 2004 have been prepared.

schedules



forming part of the Consolidated Account

Continued

(Rupees in million)

Particulars	Consumer and commercial banking		Investment banking		Others		Total	
	For the year ended 31.03.04	For the year ended 31.03.03	For the year ended 31.03.04	For the year ended 31.03.03	For the year ended 31.03.04	For the year ended 31.03.03	For the year ended 31.03.04	For the year ended 31.03.03
1. Revenue (before extraordinary profit)	97,052.3	94,132.4	38,056.8	30,923.0	13,913.3	5,607.9	149,022.4	130,663.4
2. Less: Inter segment revenue	—	—	—	—	—	—	(11,049.0)	(8,515.6)
3. Total revenue (1)-(2)	—	—	—	—	—	—	137,973.4	122,147.8
4. Operating profit (i.e. Profit before unallocated expenses, extraordinary profit, provision, and tax)	13,148.9	9,986.8	12,541.5	4,384.1	(1,071.8)	(973.6)	24,618.6	13,397.3
5. Unallocated expenses	—	—	—	—	—	—	256.0	—
6. Profit on sale of shares of ICICI Bank Limited held by erstwhile ICICI Limited	—	—	—	11,910.0	—	—	—	11,910.0
7. Provisions (including accelerated / additional provision)	5,803.2	17,370.2	(642.8)	(43.9)	—	—	5,160.4	17,326.3
8. Profit before tax (4)-(5) + (6)-(7)	7,345.7	(7,383.5)	13,184.3	16,338.1	(1,071.8)	(973.6)	19,202.2	7,981.0
9. Income tax expenses (net)/ (net deferred tax credit)	—	—	—	—	—	—	3,398.4	(3,539.0)
10. Net Profit (8)-(9)	—	—	—	—	—	—	15,803.8	11,520.0
Other Information								
11. Segment assets	799,639.3	692,536.9	463,233.4	374,262.6	18,300.8	8,285.8	1,281,173.5	1,075,085.3
12. Unallocated assets	—	—	—	—	—	—	26,302.6	19,246.4
13. Total assets (11)+(12)	—	—	—	—	—	—	1,307,476.1	1,094,331.7
14. Segment liabilities	1,003,090.2	808,680.2	292,912.8	281,400.7	11,473.1	4,250.8	1,307,476.1	1,094,331.7
15. Unallocated liabilities	—	—	—	—	—	—	—	—
16. Total liabilities (14)+(15)	—	—	—	—	—	—	1,307,476.1	1,094,331.7

The business operations of the Group are largely concentrated in India. The assets and income from foreign operations are immaterial.

13. Cash and cash equivalents

Cash and cash equivalents include cash in hand, balances with RBI, balances with other banks and money at call and short notice.

14. Contingent liability

The Income-tax authorities have disallowed deduction in respect of specific provisions for bad debts made by erstwhile ICICI Limited in prior years on account of retrospective amendment to section 36(1)(vii) of the Income Tax Act, 1961 (the "Act"). The total potential tax impact of such disallowances is Rs. 2,765.9 million, which is included in the contingent liability and is disputed by the Bank in appeals. Based on a legal opinion, the Bank is of the view that the disputed amount would alternatively be deductible under the provisions of the Act as business loss. Further, as the provision is tax deductible in the year of write-off, the Bank is eligible to create a deferred tax asset and accordingly, there is no revenue impact.

15. During the year, the general insurance joint venture has changed its accounting policy relating to reinsurance commission income. In the previous year, the company recognized commission on reinsurance ceded over the contract period. Had the company continued to follow the accounting policy followed in the previous year, the commission income, transfer to shareholders' account, operating profit, profit before tax would have been lower by Rs. 248.6 million and unearned commission would have been higher by Rs. 248.6 million.

16. Additional disclosures

Additional statutory information disclosed in separate financial statements of the parent and the subsidiaries having no bearing on the true and fair view of the consolidated financial statements and also the information pertaining to the items which are not material have not been disclosed in the consolidated financial statement in view of the general clarification issued by ICAI.

17. Comparative figures

The figures of the previous year have been regrouped to conform to the current year's presentation.

Signatures to schedules 1 to 18

For and on behalf of the Board of Directors

N. VAGHUL
Chairman

K. V. KAMATH
Managing Director & CEO

LALITA D. GUPTE
Joint Managing Director

KALPANA MORPARIA
Deputy Managing Director

CHANDA D. KOCHHAR
Executive Director

NACHIKET MOR
Executive Director

Place : Mumbai
Date : April 30, 2004

JYOTIN MEHTA
General Manager &
Company Secretary

N. S. KANNAN
Chief Financial Officer &
Treasurer

G. VENKATAKRISHNAN
General Manager -
Accounting & Taxation Group

consolidated cash flow statement



for the year ended March 31, 2004

(Rs. in'000)

Particulars	2003-2004	2002-2003
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before taxes	19,202,139	7,980,989
Adjustments for :		
Depreciation on fixed assets	5,608,910	5,201,775
Net (appreciation)/depreciation on investments	76,365	2,442,687
Provision in respect of non-performing assets (including prudential provision on standard assets)	4,873,127	14,822,615
Provision for contingencies & others	207,936	63,900
Loss on sale of fixed assets	32,785	66,586
	<u>30,001,262</u>	<u>30,578,552</u>
Adjustments for :		
(Increase) / decrease in investments	(67,833,837)	49,371,959
(Increase) / decrease in advances	(109,741,682)	(74,839,746)
Increase / (decrease) in borrowings	17,149,820	(36,281,456)
Increase / (decrease) in deposits	201,280,322	157,335,842
(Increase) / decrease in other assets	573,749	(16,655,916)
Increase/(decrease) in other liabilities and provisions	23,945,784	6,084,990
	<u>65,374,156</u>	<u>85,015,673</u>
Payment of taxes (net)	(9,317,190)	(7,015,770)
Net cash generated from operating activities	(A) 86,058,228	108,578,455
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(6,227,868)	(2,477,199)
Proceeds from sale of fixed assets	372,836	103,423
(Purchase)/Sale of long term investment	(9,104,638)	(56,671,432)
Net cash generated from investing activities	(B) (14,959,670)	(59,045,208)
CASH FLOW FROM FINANCING ACTIVITIES		
Amount received on exercise of stock option & calls in arrears	539,077	315
Repayment of bonds (including subordinated debts)	(41,221,623)	(112,660,657)
Dividend and dividend tax paid	(5,354,941)	(568)
Net cash generated from financing activities	(C) (46,037,487)	(112,660,910)

for the year ended March 31, 2004

Continued

Particulars		2003-2004	2002-2003
Effect of consolidation of new subsidiary / deconsolidation			
of subsidiary on cash & cash equivalents	(D)	(673,965)	(49,968)
Net increase/(decrease) in cash and cash equivalents	(A)+(B)+(C)+(D)	24,387,106	(63,177,631)
Cash and cash equivalents as at 1st April		65,496,996	128,674,627
Cash and cash equivalents as at 31st March		89,884,102	65,496,996

Cash and cash equivalents represent 'Cash and balances with Reserve Bank of India' and 'Balances with banks and money at call and short notice'
As per our report of even date For and on behalf of the Board of Directors

For S.R. BATLIBOI & CO.
Chartered Accountants

N. VAGHUL
Chairman

K. V. KAMATH
Managing Director & CEO

per VIREN H. MEHTA
a Partner

LALITA D. GUPTA
Joint Managing Director

KALPANA MORPARIA
Deputy Managing Director

CHANDA D. KOCHHAR
Executive Director

NACHIKET MOR
Executive Director

Place : Mumbai
Date : April 30, 2004

JYOTIN MEHTA
General Manager &
Company Secretary

N. S. KANNAN
Chief Financial Officer &
Treasurer

G. VENKATAKRISHNAN
General Manager -
Accounting & Taxation Group

Rupees in million

Particulars	ICICI Securities Limited	ICICI Brokerage Services Limited	ICICI Securities Inc.	ICICI Securities Holdings Inc.	ICICI Home Finance Company Limited	ICICI Trusteeship Services Limited	ICICI Investment Management Company Limited	ICICI Venture Funds Management Company Limited	ICICI Prudential Life Insurance Company Limited	ICICI Lombard General Insurance Company Limited	ICICI International Limited	ICICI Distribution Finance Private Limited	ICICI Bank UK Limited	ICICI Bank Canada (unaudited)
Paid-Up Share Capital	2,030.0	45.0	48.3	75.0	1,550.0	0.5	100.0	31.3	6,750.0	2,200.0	17.5	87.5	2,185.9	838.0
Reserves	1,895.0	334.8	(8.8)	(8.1)	244.8	0.6	15.6	381.0	(4,740.7)	59.3	5.6	434.9	(98.2)	(31.2)
Total Assets	23,210.2	741.6	44.6	68.0	27,345.5	1.5	122.4	530.8	18,119.6	5,489.3	23.4	673.9	4,607.7	883.2
Total Liabilities	19,285.2	361.8	5.1	1.1	25,550.7	0.4	6.8	118.5	16,110.3	3,210.0	0.3	151.5	2,520.0	76.4
Investments (Excluding Investments In Subsidiaries)	-	-	-	-	172.8	-	14.4	326.7	16,580.2	3,328.7	13.1	-	-	-
Turnover (Income From Operations)	3,211.5	376.0	35.3	26.8	1,400.4	0.3	7.5	1,041.3	9,892.8	5,364.8	7.0	139.5	59.7	9.7
Profit Before Tax (PBT)	1,902.2	298.7	16.1	0.5	105.3	0.3	4.2	313.9	(2,239.0)	422.4	-	60.1	(98.2)	(44.6)
Provision For Taxation	463.2	107.9	-	-	6.9	0.1	1.2	54.2	23.3	104.6	-	26.5	-	(13.4)
Profit After Taxation (PAT)	1,439.0	190.8	16.1	0.5	98.5	0.2	3.0	259.7	(2,215.7)	317.8	-	33.6	(98.2)	(31.2)
Proposed Equity Dividend	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Notes :

1. The Ministry of Company Affairs vide its letter dated July 12, 2004 has exempted the Bank from attaching the accounts of its subsidiary companies to its accounts for FY2004. In terms of one of the requirement of the said letter, the above information about the subsidiary companies has been provided.
2. ICICI Brokerage Services Limited and ICICI Securities Holding Inc. are wholly owned subsidiaries of ICICI Securities Limited. ICICI Securities Inc. is a wholly owned subsidiary of ICICI Securities Holding Inc. and hence a subsidiary of ICICI Securities Limited. The financials of ICICI Securities Holding Inc. and ICICI Securities Inc. are translated into Indian rupees as per the provisions of Accounting Standard 11 - Effects of changes in foreign exchange rates issued by the Institute of Chartered Accountants of India and audited by their statutory auditors.
3. The financials of ICICI Bank UK Limited and ICICI International Limited have been translated into Indian Rupees at the closing rate on March 31, 2004 of 1 USD = Rs. 43.7175.
4. The paid-up share capital of ICICI Home Finance Company Limited and ICICI Bank Canada includes the paid-up preference share capital of Rs. 400.0 million and Rs. 335.2 million respectively.
5. ICICI Bank Canada was incorporated as a 100% subsidiary of ICICI Bank Limited on September 12, 2003. As the first financial year of ICICI Bank Canada has not ended, audited financials are not available and hence the unaudited financials have been considered for consolidation of accounts. The financials of ICICI Bank Canada have been translated into Indian Rupees at the closing rate on March 31, 2004 of 1 CAD = Rs. 33.52.

For S. R. BATLIBOI & CO.
Chartered Accountants

per VIREN H. MEHTA
a Partner

Place : Mumbai
Date : July 23, 2004

For and on behalf of the Board of Directors

K. V. KAMATH
Managing Director & CEO

KALPANA MORPARIA
Deputy Managing Director

NACHIKET MOR
Executive Director

G. VENKATKRISHNAN
General Manager -
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