# New Horizons

ICICI Bank

11th ANNUAL REPORT
2004-2005

# New Horizons

Over the last decade, we have been at the forefront of retail finance in India, to emerge as the market leader in retail credit in the country. We are now seeking new horizons in our rural banking operations and our international business. Our vision is to be the leading provider of financial services to our target customers, from villages in India's heartland to the leading financial centres across the world.

As we expand the frontiers of our business, our core strengths continue to lie in innovation and technology. We are using new channels of outreach to deliver micro finance solutions in rural India. Through focused strategies and by actively leveraging our technology platforms, we have established a meaningful international presence in a relatively short span of time.

Our products and services are finding great appeal across all audiences, at home and abroad. As we reach out to new markets through our rural and international initiatives, we continue to be guided by our vision of market leadership, customer satisfaction and value creation.

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**REGISTERED OFFICE**
Landmark
Race Course Circle
Vadodara 390 007

**CORPORATE OFFICE**
ICICI Bank Towers
Bandra-Kurla Complex
Mumbai 400 051

**STATUTORY AUDITORS**
S. R. Batliboi & Co.
Chartered Accountants
Express Towers, 6th Floor
Nariman Point, Mumbai 400 021

**REGISTRAR AND TRANSFER AGENTS**
3i Infotech Limited (formely ICICI Infotech Limited)
Maratha Mandir Annexe, Dr. A. R. Nair Road
Mumbai Central, Mumbai 400 008

# Message from the Chairman

It is a matter of great satisfaction that the world today sees India as a place of achievement and potential, a source of intellectual capital and a driver of global growth in the twenty-first century. This is the outcome of several decades of work by government and private enterprise in independent India. The first four decades were characterised by a centralised planning process that determined the allocation of resources with the aim of controlling the direction of development in line with stated national priorities. This did indeed lay the foundations of an industrial economy and the creation of economic and social infrastructure. We made significant investment in higher education that is in a sense the basis of today's knowledge economy. However, we realised that excessive government involvement and insulation from the global markets was not sustainable; there was a need to integrate with the global economy and allow market forces to determine resource allocation, with government limiting its role in business. The decade following the reforms of the early 1990s has been truly transformational, and today we have a vibrant and robust economy, that combines democratic processes and social concerns with economic growth objectives driven by free markets.

One of the pillars of our economy, in the building of which we can take justifiable pride, is our financial sector. The evolution of the Indian financial sector has mirrored the transformation of the economy. In the years following independence, the focus of policy makers was on making banking more accessible across the country, mobilising resources from households and channelising these resources into areas identified as development priorities. While the commercial banks were mobilisers of retail savings and lenders for short maturities, the dedicated development banks provided long-term project finance. We also focused on creating other components of the financial system - insurance companies, mutual funds, venture capital companies, stock exchanges and credit rating agencies. This process gathered momentum in the post-reform era, with an explosion of new players and competitive products and services. While the entry of private sector players saw modern, technology-enabled financial services being provided on a mass scale, the existing government-owned players also responded by upgrading their offerings to the customer and gradually adopting technology in their operations. Banks significantly expanded the range of products and services that they offer to customers, from traditional deposit and corporate lending products to consumer loans, treasury and fee-based products and services. They also started delivering their products and services through new channels like ATMs and the internet. New players in the insurance and asset management sectors also catalysed innovation in these sectors, with a customer-friendly approach and a wider array of choices for the customer on what products and services they could have and the channels they could use to access the provider.

This was backed by the simultaneous development of a regulatory framework covering all areas of the financial sector. Prudential norms were introduced to improve the quality of financial reporting and capitalisation levels in the banking system. Separate regulators were set up for the capital markets and the insurance sector, to oversee their orderly functioning within the liberalised regime. The approach has been one of combining dynamism with conservativism to ensure healthy growth of the financial sector. While there is a view that a gradualist approach has slowed down the growth process relative to other nations, this must be viewed in the context of the health and resilience of the financial sector despite the restructuring of the economy over the past decade. While the scale of financial intermediation in India must certainly increase, we have been successful in creating an efficient growth paradigm based on market forces combined with high standards of regulation and governance.

As we go forward, the financial sector has a critical role to play in the full realisation of India's potential. At the core of this is the need to vastly increase the access to financial services in the rural areas, particularly among lower-income groups, as well as the poor in the urban areas. This will bring people into the economic mainstream, tap their productivity and result in larger and larger sections of our people contributing to India’s growth as well as benefiting from it. We must leverage all our existing skills - financial and technological - and acquire the new capabilities necessary to make this happen, partnering with government and other financial, industrial and social organisations to bring about widespread change and prosperity.

At the ICICI group we see ourselves as a strong and effective player in the financial system. We have evolved and grown and changed with India over the last five decades. We provide the full range of financial services to corporate and retail customers and are rapidly expanding our scale of operations. Our strategy is to continue to grow our existing businesses and create a robust business model for rural India and the urban low-income segment, play a serious and proactive role in India’s growth and development and establish a meaningful presence in target markets overseas. We believe that given our innate strengths, we can realise this vision.

N. VAGHUL
*Chairman*

# Letter from the Managing Director & CEO

Dear Stakeholders,

Fiscal 2005 was a momentous year for the Indian economy and for us at the ICICI group. The Indian economy displayed maturity and resilience in the face of changing global trends and low growth in agriculture, conclusively demonstrating the robust fundamentals underlying the growth momentum that we have seen in recent years. The ICICI group marked its 50th year by consolidating its leadership position in various businesses and achieving strong growth in each area of its operations. This was made possible by our focus on building platforms for growth over the past several years. I would like to take this opportunity to talk about the evolution of our strategy and these growth platforms, and the new dimensions that we see opening up for us in the coming years.

In 1996, mid-way through the first decade after India embarked on economic reforms, we looked at our businesses in the context of the evolving landscape of the economy and the financial sector. We were essentially a single product company, offering only long-term project finance to the corporate sector, with significant risk concentrations. As Indian industry itself went through a deep structural change in a globalised competitive environment, there were challenges posed by the impact of globalisation on the operations of many of our clients - but also opportunities for profitable growth. We quickly took steps to diversify our product portfolio to capitalise on the full range of opportunities in the corporate sector as well as proactively address the impact of the challenges the industrial sector was facing. We saw the need to strengthen our balance sheet and accessed the international markets for capital.

In 1998, we embarked on a transformational change with our entry into retail finance. Our strategy was underpinned by two fundamental beliefs - firstly, that the market for retail financial services in India would witness explosive growth; and secondly, that large-scale use of technology was the key to success in this business. This process of change and diversification was a major challenge for an organisation that had dealt only with corporate clients for four decades of its existence. We made significant investments in technology, both at customer touchpoints and at back-offices. We created a new distribution model for retail credit, moving the sales interface to the point-of-sale of the product being financed or indeed, to the customer's home or office. We put in place robust credit approval and monitoring processes. From 2001, we started scaling up the retail business rapidly. With the merger of ICICI with ICICI Bank in 2002, we integrated our corporate and retail banking growth platforms. The last three years have seen us leveraging these platforms to become the market leader in retail credit, triple our deposit base and diversify and grow our revenue streams across product lines and customer segments. We have also achieved leadership positions among the private sector players in life and non-life insurance, which we entered less than five years ago.

In 2001, we initiated the building of our third growth platform - our international operations. We saw an opportunity in the growing internationalisation of India, the Indian diaspora's need for high quality, technology-enabled banking services and the international expansion of Indian industry. Since 2003, when we established our first overseas branch, we have made rapid progress in capitalising on these opportunities. Our international operations are already contributing to our revenues, and we are rapidly scaling up our operations in various geographies. We are leveraging our international presence, the global communications infrastructure and our India-based technology platforms to offer a unique value proposition to our customers.

There is a growing focus in India today, among policy makers and industry, on realising the potential of the rural economy as an engine of India's growth. In consonance with the government's emphasis on reaching out to the rural population, we are creating a platform for scaling up the delivery of financial services in rural India. We believe that this will be the next dimension of our growth. Our strategy is built around offering a full range of products to meet the needs of various segments of the rural economy, including micro-financial services for low income customers, through a variety of innovative channels. Technology is a key element of our strategy to expand access to financial services in a sustainable and profitable manner. While several of these initiatives are still being conceptualised or in the early stages of their implementation, we hope to significantly scale-up our operations in this area over the medium term.

While we operate in diverse businesses, the core building blocks are the same in each case - our people and our ability to harness technology, and the ceaseless innovation that is the defining characteristic of our strategic evolution. We constantly seek to identify and assess new opportunities and create the organisational capabilities to translate them into viable businesses. In doing so, we challenge existing paradigms, driving change rather than only responding to it. Going forward, we will continue to strive to innovate and capture opportunities for growth and value creation. As in our journey thus far, we look forward to the continued support of all our stakeholders in this endeavour.

K. Vaman Kamath

K. V. KAMATH
*Managing Director & CEO*

# Board of Directors

N. Vaghul, *Chairman*
Uday M. Chitale
Sridar Iyengar
L. N. Mittal
Anupam Puri
Vinod Rai
Somesh R. Sathe
M. K. Sharma
P. M. Sinha
Marti G. Subrahmanyam
T. S. Vijayan
V. Prem Watsa
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*

# Senior Management

**SENIOR GENERAL MANAGERS**

Bhargav Dasgupta
M. N. Gopinath
N. S. Kannan
Sanjiv Kerkar
Vishakha Mulye
Ramni Nirula
Nagesh Pinge
Madhabi Puri-Buch
K. Ramkumar
Balaji Swaminathan
V. Vaidyanathan
Pravir Vohra

Jyotin Mehta
*General Manager & Company Secretary*

# Board Committees

**AGRICULTURE & SMALL ENTERPRISES BUSINESS COMMITTEE**
N. Vaghul, *Chairman*
Somesh R. Sathe
M. K. Sharma
P. M. Sinha

**AUDIT COMMITTEE**
Uday M. Chitale, *Chairman*
Somesh R. Sathe
M. K. Sharma

**BOARD GOVERNANCE & REMUNERATION COMMITTEE**
N. Vaghul, *Chairman*
Anupam Puri
M. K. Sharma
P. M. Sinha
Marti G. Subrahmanyam

**BUSINESS STRATEGY COMMITTEE**
N. Vaghul, *Chairman*
Anupam Puri
M. K. Sharma
P. M. Sinha
K. V. Kamath

**CREDIT COMMITTEE**
N. Vaghul, *Chairman*
Somesh R. Sathe
M. K. Sharma
K. V. Kamath

**FRAUD MONITORING COMMITTEE**
Uday M. Chitale, *Chairman*
M. K. Sharma
K. V. Kamath
Kalpana Morparia
Chanda D. Kochhar

**RISK COMMITTEE**
N. Vaghul, *Chairman*
Uday M. Chitale
Marti G. Subrahmanyam
V. Prem Watsa
K. V. Kamath

**SHARE TRANSFER & SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE**
Uday M. Chitale, *Chairman*
Somesh R. Sathe
Kalpana Morparia
Chanda D. Kochhar

**COMMITTEE OF DIRECTORS**
K. V. Kamath, *Chairman*
Lalita D. Gupte
Kalpana Morparia
Chanda D. Kochhar
Nachiket Mor

**ASSET LIABILITY MANAGEMENT COMMITTEE**
Lalita D. Gupte, *Chairperson*
Kalpana Morparia
Chanda D. Kochhar
Nachiket Mor

Your Directors have pleasure in presenting the Eleventh Annual Report of ICICI Bank Limited with the audited statement of accounts for the year ended March 31, 2005. The year 2005 marks the completion of 50 years in finance by the ICICI group.

## FINANCIAL HIGHLIGHTS

The financial performance for fiscal 2005 is summarised below:

Rs. billion, except percentages

| | Fiscal 2004 | Fiscal 2005 | % change |
|---|---|---|---|
| Net interest income and other income | 50.52 | **62.55** | 23.8 |
| Operating profit | 24.81 | **29.56** | 19.1 |
| Provisions & contingencies | 5.79 | **4.29** | (25.9) |
| Profit before tax | 19.02 | **25.27** | 32.9 |
| Profit after tax | 16.37 | **20.05** | 22.5 |
| Consolidated profit after tax | 15.80 | **18.52** | 17.2 |

## APPROPRIATIONS

The profit & loss account shows a profit after taxation of Rs. 20.05 billion after write-offs and provisions of Rs. 4.29 billion and after taking into account all expenses. The disposable profit is Rs. 20.58 billion, taking into account the balance of Rs. 0.53 billion brought forward from the previous year. Your Directors have recommended a dividend rate of 75% (Rs. 7.50 per equity share of Rs. 10) for the year and a special dividend of 10% (Re. 1 per equity share of Rs. 10) to mark the completion of 50 years in finance by the ICICI group and have appropriated the disposable profit as follows:

Rs. billion

| | Fiscal 2004 | Fiscal 2005 |
|---|---|---|
| To Statutory Reserve, making in all Rs. 14.63 billion | 4.09 | **5.02** |
| To Investment Fluctuation Reserve (IFR) | 2.76 | **-** |
| To Special Reserve created and maintained in terms of Section 36(1)(viii) of the Income-tax Act, 1961, making in all Rs. 11.94 billion | 0.25 | **0.25** |
| To Revenue and other Reserves, making in all Rs. 44.63 billion[(1)] | 2.65 | **6.20** |
| Dividend for the year (proposed) | | |
| - On equity shares @ 85% (@75% in fiscal 2004) | 5.44[(2)] | **6.33** |
| - On preference shares (Rs.) | 35,000 | **35,000** |
| - Corporate dividend tax | 0.70[(2)] | **0.90** |
| Leaving balance to be carried forward to the next year | 0.53 | **1.88** |

(1) In addition to appropriation of disposable profits, excess balance of Rs. 2.14 billion in IFR has been transferred to Revenue and other Reserves in fiscal 2005.

(2) Excluding the impact of issue of 6,992,187 equity shares on May 24, 2004 by exercise of the green shoe option, after the adoption of the audited accounts by the Board on April 30, 2004.

## SPONSORED AMERICAN DEPOSITARY SHARE (ADS) ISSUE

In March 2005, ICICI Bank sponsored an ADS offering of 20.7 million ADS (41.4 million shares), including exercise of over-allotment option of 1.5 million ADS (3.0 million shares) through a public offering on the New York Stock Exchange. The issue price was fixed at US$ 21.11 per ADS with each ADS representing two underlying equity shares. This represented a premium of 18% to the closing domestic price on March 11, 2005, the last date for tender of shares in the offering. The offering was subscribed approximately four times. The gross proceeds from the ADS offering were US$ 436.7 million. The consideration per share, after deduction of expenses for the ADS offering, was Rs. 453.16.

## GOING PLACES

Backed by its domestic banking experience, ICICI Bank has expanded its global footprint in ten countries around the world. The product and service propositions offered by ICICI Bank appeal not only to the Indian diaspora and Indian corporates with international aspirations, but also to a diverse customer profile overseas. ICICI Bank is thus seeking to emerge as a major global bank.

ICICI Bank has subsidiaries in Canada, UK and Russia, branch offices in Singapore and Bahrain and representative offices in USA, China, UAE, Bangladesh and South Africa.

## FORFEITURE OF EQUITY SHARES

On March 28, 2005, ICICI Bank forfeited 54,220 partly-paid equity shares of the face value of Rs. 10 each for non-payment of amount due to make them fully paid, pursuant to the terms of issue of the partly-paid equity shares.

## SUBSIDIARY COMPANIES

At March 31, 2005, ICICI Bank had 14 subsidiaries:

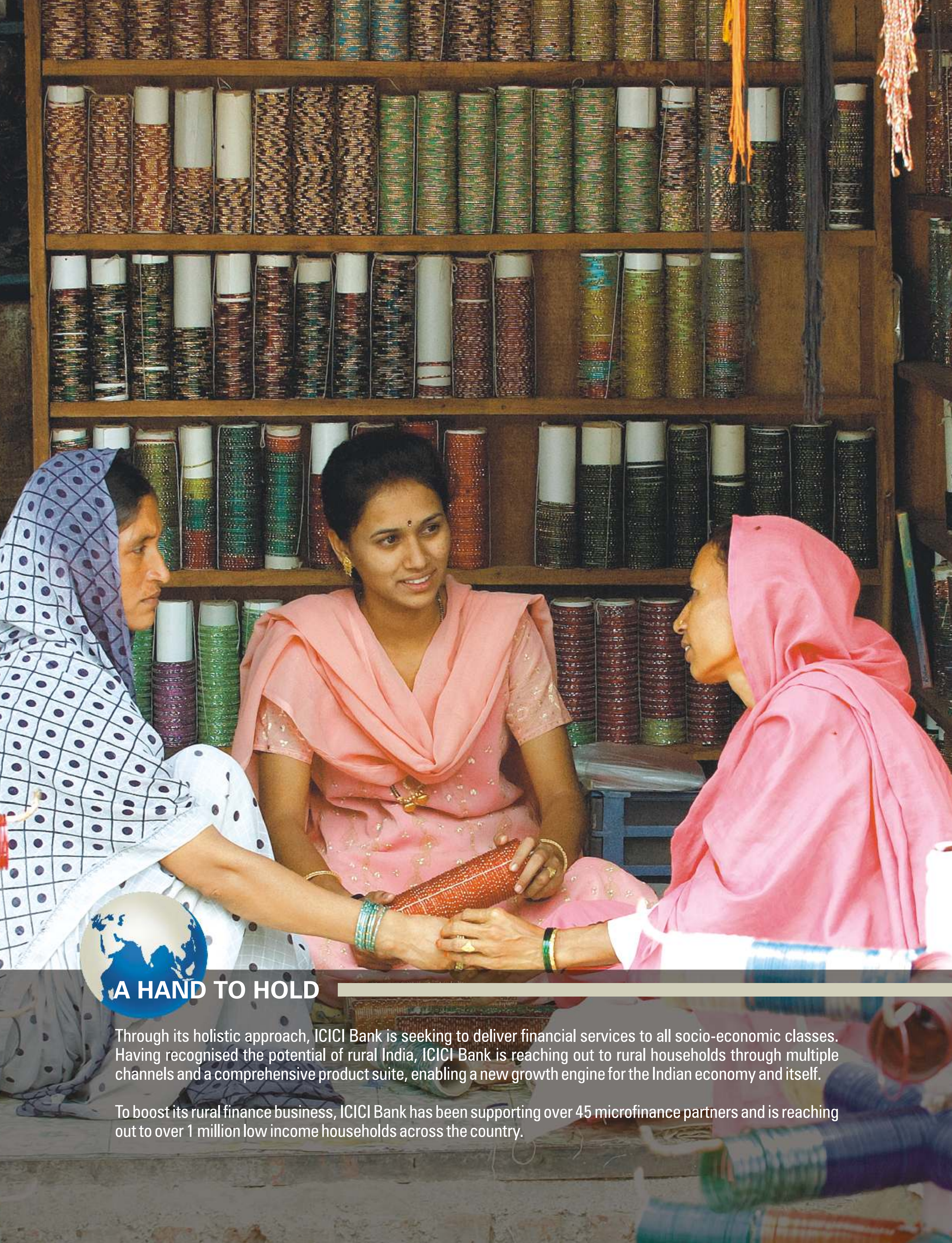
| Domestic Subsidiaries | International Subsidiaries |
|---|---|
| ICICI Securities Limited | ICICI Bank UK Limited |
| ICICI Venture Funds Management Company Limited | ICICI Bank Canada |
| ICICI Prudential Life Insurance Company Limited | ICICI Securities Holdings Inc.(1) |
| ICICI Lombard General Insurance Company Limited | ICICI Securities Inc.(2) |
| ICICI Home Finance Company Limited | ICICI International Limited |
| ICICI Investment Management Company Limited | |
| ICICI Trusteeship Services Limited | |
| ICICI Brokerage Services Limited(1) | |
| ICICI Distribution Finance Private Limited | |

(1) Subsidiary of ICICI Securities Limited.
(2) Subsidiary of ICICI Securities Holdings Inc.

As approved by the Central Government *vide* letter dated July 15, 2005 under Section 212(8) of the Companies Act, 1956, copies of the balance sheet, profit & loss account, report of the board of directors and report of the auditors of the subsidiary companies have not been attached to the accounts of the Bank for fiscal 2005. The Bank will make available these documents/details upon request by any Member of the Bank and its subsidiaries. These documents/details will be available on the Bank's website www.icicibank.com and will also be available for inspection by any Member of the Bank at its Registered Office and Corporate Office and also at the registered offices of the concerned subsidiaries. As required by Accounting Standard-21 (AS-21) issued by the Institute of Chartered Accountants of India, the Bank's consolidated financial statements included in this Annual Report incorporate the accounts of its subsidiaries. A summary of key financials of the Bank's subsidiaries is also included in this Annual Report.

"The last fiscal saw a significant scale up of our operations and expansion of our global footprint to ten countries. We continued to differentiate ourselves by offering innovative products using our strong technological capabilities. Our products and services for the non-resident Indians across the world were supplemented by offerings to the local customers in these countries, effectively transforming India's second-largest bank into a global entity."

**Lalita D. Gupte**
*Joint Managing Director*



## A HAND TO HOLD

Through its holistic approach, ICICI Bank is seeking to deliver financial services to all socio-economic classes. Having recognised the potential of rural India, ICICI Bank is reaching out to rural households through multiple channels and a comprehensive product suite, enabling a new growth engine for the Indian economy and itself.

To boost its rural finance business, ICICI Bank has been supporting over 45 microfinance partners and is reaching out to over 1 million low income households across the country.

In May 2005, the Bank acquired the entire paid-up capital of Investitsionno-Kreditny Bank (IKB), a Russian bank with its registered office in Balabanovo in the Kaluga region and a branch in Moscow. At March 31, 2005, IKB had total assets of about US$ 4.4 million. IKB became a subsidiary of the Bank effective May 19, 2005. The Bank and Prudential plc of UK have agreed that the Bank will acquire 6% of the paid-up equity capital of Prudential ICICI Asset Management Company Limited and Prudential ICICI Trust Limited, consequent to which these two companies will become subsidiaries of the Bank. On June 30, 2005, the High Court of Judicature at Bombay approved the merger of ICICI Distribution Finance Private Limited with ICICI Home Finance Company Limited.

## DIRECTORS

Satish C. Jha retired at the Annual General Meeting (AGM) held on September 20, 2004 and did not seek re-appointment.

S. B. Mathur, Chairman of Life Insurance Corporation of India (LIC) resigned from the Board effective March 4, 2005 consequent to his retirement from LIC and P. C. Ghosh, Chairman, General Insurance Corporation of India (GIC) resigned from the Board effective May 6, 2005 consequent to his retirement from GIC.

The Board at its Meeting held on April 30, 2005 appointed T.S. Vijayan, Managing Director, LIC and Sridar Iyengar, a chartered accountant and former partner with KPMG, as additional Directors of the Bank. They would hold office up to the date of the forthcoming AGM but are eligible for appointment.

N. Vaghul was appointed as a Director of the Bank on March 27, 2002. He was appointed as non-executive Chairman of the Board effective May 3, 2002 for a period of three years, as stipulated by Reserve Bank of India (RBI) while approving his appointment as Chairman of the Board. The Board at its Meeting held on April 30, 2005, reappointed him as Chairman of the Board subject to the approval of RBI, which has since been received.

The Board has approved the following with respect to the wholetime Directors of the Bank:

- Re-appointment of K. V. Kamath, Managing Director & CEO, on the expiry of his current term i.e. from May 1, 2006, till April 30, 2009.
- Re-appointment of Kalpana Morparia, Deputy Managing Director, on the expiry of her current term i.e. from May 1, 2006, till May 31, 2007, when she attains retirement age.
- Re-appointment of Chanda Kochhar and Nachiket Mor, Executive Directors, on the expiry of their current terms i.e. from April 1, 2006, till March 31, 2011.

The above appointments of wholetime directors are subject to the approval of the members and RBI.

"We have a strong focus on communicating with our investors to explain our strategy and performance and understand their perspectives. Our ability to raise capital and the confidence that our investors have placed in us over the years have been critical to our growth and new business initiatives."

**Kalpana Morparia**
*Deputy Managing Director*

## A FRIEND INDEED

Driven by its strong technology base, ICICI Bank serves diverse customer segments through its suite of customised offerings.

For the non-resident Indian, we offer a range of remittance solutions and liability and asset products including online home loans. Our private banking clients avail of banking solutions which include multi manager portfolio, real estate funds, mutual funds and structured notes. We have tapped into the local Canadian and British communities with HiSave, our online savings account.

For the corporate segment, we have designed customised solutions to meet trade finance, credit, treasury and investment banking needs.

In terms of the provisions of the Companies Act, 1956 and the Articles of Association of the Bank, N. Vaghul, Anupam Puri, M.K. Sharma and Marti G. Subrahmanyam would retire by rotation at the forthcoming AGM and being eligible, offer themselves for re-appointment.

## AUDITORS

The Auditors, S.R. Batliboi & Co., Chartered Accountants, will retire at the ensuing AGM. The Board at its Meeting held on April 30, 2005 has proposed the appointment of S. R. Batliboi & Co. as Auditors to audit the accounts of ICICI Bank for fiscal 2006. You are requested to consider their appointment. Their appointment has been approved by RBI.

## PERSONNEL

As required by the provisions of Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of the employees are set out in the Annexure to the Directors' Report.

## APPOINTMENT OF NOMINEE DIRECTORS ON THE BOARD OF ASSISTED COMPANIES

Erstwhile ICICI Limited (ICICI) had a policy of appointing nominee directors on the boards of certain borrower companies based on loan covenants, with a view to enable monitoring of the operations of those companies. Subsequent to the merger, ICICI Bank continues to nominate directors on the boards of assisted companies. Apart from the Bank's employees, experienced professionals from the banking, government and other sectors are appointed as nominee directors. ICICI Bank has 88 nominee directors of whom 53 are employees of the Bank, on the boards of 158 companies. The Bank has a Nominee Director Cell for maintaining records of nominee directorships.

## CORPORATE GOVERNANCE

ICICI Bank has established a tradition of best practices in corporate governance. The corporate governance framework in ICICI Bank is based on an effective independent Board, the separation of the Board's supervisory role from the executive management and the constitution of Board Committees, with majority of the members generally being independent Directors and chaired by an independent Director, to oversee critical areas.

"As the largest provider of retail finance in the country, we have established an extensive network of distribution channels and service delivery teams which are supported by a strong technology platform. We remain committed to delivering greater customer satisfaction and delight. Towards this end we will focus on products and services that will create a superior and differentiated banking experience for our customers."

**Chanda D. Kochhar**
*Executive Director*


## RURAL REACH

In order to meet the financial needs of rural India, ICICI Bank is leveraging multiple channels; from micro finance institutions to internet kiosks that help people access financial services to fulfil their needs and aspirations. These initiatives are enabling higher income levels, de-risked livelihoods and improved productivity in rural India.

ICICI Bank is providing financial services to the farmer community through crop loans, loans against jewellery, farm equipment loans and a range of insurance products offering protection to lives and livelihoods. Understanding the rural reality and translating it into customised products, we are reaching out to rural India.

## I. Philosophy of Corporate Governance

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

***Whistle Blower Policy***

In line with the best international governance practices and the Sarbanes-Oxley Act, ICICI Bank has formulated a Whistle Blower Policy for the ICICI group. In terms of this policy, employees of ICICI Bank and its group companies are free to raise issues, if any, which they may have on the accounting policies and procedures adopted for any area or item and report the same to the Audit Committee through appropriate channels. The above mechanism has been communicated within the Bank across all levels and has been posted on the Bank's intranet.

***Prevention of Insider Trading***

ICICI Bank has instituted a comprehensive code of conduct for prevention of insider trading namely, ICICI Bank Code of Conduct for Prevention of Insider Trading in accordance with the requirements of SEBI (Prohibition of Insider Trading) Regulations, 1992.

***Code of Business Conduct and Ethics***

The Board of Directors has approved a Code of Business Conduct and Ethics for Directors and employees of ICICI Bank.

## II. Board of Directors

ICICI Bank has a broad-based Board of Directors, constituted in compliance with the Banking Regulation Act, 1949, Companies Act, 1956 and listing agreements entered into with stock exchanges and in accordance with best practices in corporate governance. The Board functions either as a full Board or through various committees constituted to oversee specific operational areas. The Board has constituted 10 committees, namely, Agriculture & Small Enterprises Business Committee, Audit Committee, Board Governance & Remuneration Committee, Business Strategy Committee, Credit Committee, Fraud Monitoring Committee, Risk Committee, Share Transfer & Shareholders'/Investors' Grievance Committee, Committee of Directors and Asset Liability Management Committee. These Board Committees are generally chaired by independent Directors and independent Directors constitute a majority of the members.

"To tap the unmet financial services needs of rural India, we are making significant strides by using technology based solutions, financial innovations and multiple delivery channels to provide customised products and services for all the rural customer segments. As a leader in project finance we are also uniquely placed to support the upsurge in industrial capacity creation by leveraging our competence to lead manage complex financial transactions."

**Nachiket Mor**
*Executive Director*

At March 31, 2005, the Board of Directors consisted of 16 members. There were seven meetings of the Board during fiscal 2005 - on April 30, May 21-22, July 23, September 20, October 21 and December 13 in 2004 and January 16-17 in 2005. The names of Board Members, their attendance at Board Meetings and the number of other directorships and board committee memberships held by them at March 31, 2005 are given in the following table:

| Name of Member | Board Meetings attended during the year | Attendance at last AGM (September 20, 2004) | Number of other Directorships | | Number of Committee memberships in other companies[3] |
|---|---|---|---|---|---|
| | | | Of Indian Companies[1] | Of Other Companies[2] | |
| **Independent Directors** | | | | | |
| N. Vaghul | 7 | Present | 10 | 10 | 9(4) |
| Uday M. Chitale | 7 | Present | 1 | 4 | 1 |
| P. C. Ghosh | 2 | Absent | 1 | - | 1 |
| L.N. Mittal[a] | 3 | Absent | - | 32 | - |
| Anupam Puri[b] | 3 | Absent | 5 | - | 9(5) |
| Vinod Rai[c] | 3 | Present | 4 | - | 2 |
| Somesh R. Sathe | 6 | Present | - | 3 | - |
| M. K. Sharma | 6 | Present | 6 | 1 | 3(1) |
| P. M. Sinha | 5 | Absent | 3 | 2 | 6(2) |
| Marti G. Subrahmanyam[a] | 4 | Absent | 1 | 8 | 2(1) |
| V. Prem Watsa[b] | 2 | Absent | - | 17 | - |
| **Wholetime Directors** | | | | | |
| K.V. Kamath | 7 | Present | 4 | 7 | - |
| Lalita D. Gupte | 7 | Present | 4 | 2 | 4 |
| Kalpana Morparia | 7 | Present | 6 | - | 6(1) |
| Chanda Kochhar | 7 | Present | 2 | 1 | 1(1) |
| Nachiket Mor[d] | 4 | Absent | 3 | 1 | 1 |
| **Directors for part of the year** | | | | | |
| Satish C. Jha (up to September 20, 2004) | 1 | Absent | N.A. | N.A. | N.A. |
| S.B. Mathur (up to March 4, 2005) | 5 | Absent | N.A. | N.A. | N.A. |

(a) Also participated in two meetings through tele-conference.
(b) Also participated in one meeting through tele-conference.
(c) Nominee of Government of India.
(d) Attended a fellowship programme at Yale University in the United States from September - December 2004. Participated in one Board meeting through tele-conference.

(1) Includes companies as per the provisions of Section 278 of the Companies Act,1956.
(2) Includes foreign companies and other companies that are excluded as per the provisions of Section 278 of the Companies Act, 1956.
(3) Includes memberships of audit, shareholders' grievance and remuneration committees. Figures in brackets indicate number of committee chairmanships.

### III. Agriculture & Small Enterprises Business Committee

***Terms of Reference***

The functions of the Committee include review of the business strategy of the Bank in the agri-business and small enterprises segments and review of the quality of the agricultural lending and small enterprises finance credit portfolio.

***Composition***

The Agriculture & Small Enterprises Business Committee comprises four independent Directors and is chaired by N. Vaghul. There were three meetings of the Committee during the year. The details of the composition of the Committee and attendance at its Meetings are given in the following table:

| Name of Member | Number of Meetings attended |
|---|---|
| N. Vaghul, Chairman | 3 |
| Somesh R. Sathe | 3 |
| M. K. Sharma | 3 |
| P. M. Sinha | 3 |
| Satish C. Jha (up to September 20, 2004) | 1 |

## IV. Audit Committee

***Terms of Reference***

The responsibilities of the Committee include overseeing the financial reporting process to ensure fairness, sufficiency and credibility of financial statements, recommending appointment and removal of central and branch statutory auditors and fixing of their remuneration, review of the annual financial statements before submission to the Board, review of the adequacy of internal control systems and the internal audit function, review of customer service initiatives and functioning of customer service council, review of compliance with the inspection and audit reports of RBI and reports of statutory auditors, review of the findings of internal investigations, discussion on the scope of audit with external auditors and examination of reasons for substantial defaults, if any, in payment to stakeholders. The Committee provides direction to the internal audit function and monitors the quality of internal and statutory audit.

***Composition***

The Audit Committee comprises three independent Directors and is chaired by Uday M. Chitale, a chartered accountant. There were six meetings of the Committee during the year. The details of the composition of the Committee and attendance at its Meetings are given in the following table:

| Name of Member | Number of Meetings attended |
|---|---|
| Uday M. Chitale, Chairman | 6 |
| M. K. Sharma, Alternate Chairman | 5 |
| Somesh R. Sathe | 6 |

## V. Board Governance & Remuneration Committee

***Terms of Reference***

The functions of the Committee include recommendation of appointments to the Board, evaluation of the performance of the Managing Director & CEO and other wholetime Directors on pre-determined parameters, recommendation to the Board of the remuneration (including performance bonus and perquisites) to wholetime Directors, approval of the policy for and quantum of bonus payable to the members of the staff, framing of guidelines for the Employees Stock Option Scheme and recommendation of grant of stock options to the employees and wholetime Directors of ICICI Bank and its subsidiary companies.

### *Composition*

The Board Governance & Remuneration Committee comprises five independent Directors and is chaired by N. Vaghul. There were two meetings of the Committee during the year. The details of the composition of the Committee and attendance at its Meetings are given in the following table:

| Name of Member | Number of Meetings attended |
|---|---|
| N. Vaghul, Chairman | 2 |
| Anupam Puri | 1 |
| P. M. Sinha | 2 |
| M.K. Sharma (w.e.f. January 17, 2005) | N.A. |
| Marti G. Subrahmanyam (w.e.f. January 17, 2005) | N.A. |

### *Remuneration policy*

The Board Governance & Remuneration Committee has the power to determine and recommend to the Board the amount of remuneration (including performance bonus and perquisites) and grant of stock options to the wholetime Directors. The recommendations of the Committee are based on evaluation of the wholetime Directors on specified parameters.

The following table sets out the details of remuneration (including perquisites, bonus and retiral benefits) paid to wholetime Directors for fiscal 2005 and details of stock options granted for the three years ended March 31, 2005.

| | K.V. Kamath | Lalita D. Gupte | Kalpana Morparia | Chanda D. Kochhar | Nachiket Mor |
|---|---|---|---|---|---|
| **Break-up of remuneration (Rupees)** | | | | | |
| Basic | 8,640,000 | 6,480,000 | 5,100,000 | 3,900,000 | 3,900,000 |
| Performance bonus for fiscal 2005 | 4,492,800 | 3,369,600 | 2,652,000 | 2,028,000 | 2,028,000 |
| Allowances and perquisites(1) | 3,647,689 | 848,724 | 3,271,575 | 921,007 | 2,070,546 |
| Provident fund | 1,036,800 | 777,600 | 612,000 | 468,000 | 468,000 |
| Superannuation | 1,296,000 | 972,000 | 765,000 | 585,000 | 585,000 |
| **Stock options (Numbers)** | | | | | |
| Fiscal 2005 | 250,000 | 165,000 | 150,000 | 125,000 | 125,000 |
| Fiscal 2004 | 250,000 | 165,000 | 150,000 | 125,000 | 125,000 |
| Fiscal 2003(2) | 150,000 | 137,500 | 125,000 | 100,000 | 100,000 |

(1) Includes leave travel allowance (including allowance related to previous years) availed during the year: K.V. Kamath - Rs. 3,350,000, Kalpana Morparia - Rs. 1,900,000 and Nachiket Mor - Rs. 812,500.

(2) Includes options granted on July 25, 2003: K. V. Kamath - 30,000, Lalita D. Gupte - 27,500, Kalpana Morparia - 25,000, Chanda D. Kochhar - 20,000 and Nachiket Mor - 20,000.

Perquisites (evaluated as per Income-tax Rules wherever applicable and at actual cost to the Bank otherwise) such as the benefit of the Bank's furnished accommodation, gas, electricity, water and furnishings, club fees, personal insurance, use of car and telephone at residence or reimbursement of expenses in lieu thereof; medical reimbursement, leave and leave travel allowance, education benefits, provident fund, superannuation fund and gratuity, were provided in accordance with the scheme(s) and rule(s) applicable from time to time. If accommodation owned by the Bank was not provided, the concerned wholetime Director was eligible for house rent allowance of Rs. 50,000 per month and maintenance of accommodation including furniture, fixtures and furnishings, as may have been provided by the Bank.

The non-executive Directors (except the nominee Director of Government of India) were paid sitting fees of Rs. 20,000 for each meeting of the Board or Committee attended by them. The total sitting fees paid during fiscal 2005 for attending Meetings of the Board and Committees is given in the following table:

| Name of Director | Sitting fees paid (Rupees) |
|---|---|
| N. Vaghul | 440,000 |
| Uday Chitale | 600,000 |
| P. C. Ghosh | 40,000 |
| L. N. Mittal | 60,000 |
| Anupam Puri | 80,000 |
| Somesh Sathe | 660,000 |
| M. K. Sharma | 360,000 |
| P. M. Sinha | 240,000 |
| Marti G. Subrahmanyam | 160,000 |
| V. Prem Watsa | 60,000 |
| Satish C. Jha (upto September 20, 2004) | 60,000 |
| S. B. Mathur (upto March 4, 2005) | 100,000 |
| **Total** | **2,860,000** |

## VI. Business Strategy Committee

***Terms of Reference***

The function of the Committee is to approve the annual income and expenditure and capital expenditure budgets for presentation to the Board for final approval and to review and recommend to the Board the business strategy of ICICI Bank.

***Composition***

The Business Strategy Committee comprises five Directors, namely, N. Vaghul, Anupam Puri, M. K. Sharma, P. M. Sinha and K. V. Kamath. N. Vaghul is the Chairman of the Committee and a majority of its members are independent Directors. The Committee did not meet during the year as the budget and other strategic issues were directly reviewed by the Board of Directors.

## VII. Credit Committee

***Terms of reference***

The functions of the Committee include review of developments in key industrial sectors and approval of credit proposals as per authorisation approved by the Board.

***Composition***

The Credit Committee comprises four Directors. It is chaired by N. Vaghul and a majority of its members are independent Directors. There were six meetings of the Committee during the year. The details of the composition of the Committee and attendance at its Meetings are given in the following table:

| Name of Member | Number of Meetings attended |
|---|---|
| N. Vaghul, Chairman | 6 |
| Somesh R. Sathe | 5 |
| M. K. Sharma (w.e.f. August 1, 2004) | 2 |
| Satish C. Jha (up to September 20, 2004) | 1 |
| K. V. Kamath | 6 |

### VIII. Fraud Monitoring Committee

***Terms of reference***

The Committee monitors and reviews all frauds involving Rs. 10.0 million and above.

***Composition***

The Fraud Monitoring Committee comprises five Directors, namely, Uday M. Chitale, M. K. Sharma, K. V. Kamath, Kalpana Morparia and Chanda D. Kochhar and is chaired by Uday M. Chitale.

There was one Meeting of the Committee during the year which was attended by all the members of the Committee.

### IX. Risk Committee

***Terms of reference***

The Committee reviews ICICI Bank's risk management policies in relation to various risks (credit, portfolio, liquidity, interest rate, off-balance sheet and operational risks), investment policies and strategy and regulatory and compliance issues in relation thereto.

***Composition***

The Risk Committee comprises five Directors. It is chaired by N. Vaghul and a majority of its members are independent Directors. There were four meetings of the Committee during the year. The details of the composition of the Committee and attendance at its Meetings are given in the following table:

| Name of Member | Number of Meetings attended |
|---|---|
| N. Vaghul, Chairman | 4 |
| Uday M. Chitale | 4 |
| Marti G. Subrahmanyam[(1)] | 3 |
| V. Prem Watsa[(1)] | 1 |
| K. V. Kamath | 4 |

(1) Also participated in one meeting through tele-conference.

### X. Share Transfer & Shareholders'/Investors' Grievance Committee

***Terms of reference***

The functions and powers of the Committee include approval and rejection of transfer or transmission of equity and preference shares, bonds, debentures and securities, issue of duplicate certificates, allotment of shares and securities issued from time to time, including those under stock options, review and redressal of shareholders' and investors' complaints, delegation of authority for opening and operation of bank accounts for payment of interest, dividend and redemption of securities and the listing of securities on stock exchanges.

***Composition***

The Share Transfer & Shareholders'/Investors' Grievance Committee comprises four Directors and is chaired by Uday M. Chitale, an independent Director. There were 12 meetings of the Committee during the year. The details of the composition of the Committee and attendance at its Meetings are given below:

| Name of Member | Number of Meetings attended |
|---|---|
| Uday M. Chitale, Chairman | 12 |
| Somesh R. Sathe | 12 |
| Kalpana Morparia | 7 |
| Chanda D. Kochhar | 11 |

Jyotin Mehta, General Manager & Company Secretary is the Compliance Officer. All the 7,471 shareholder complaints received in fiscal 2005 were processed to the satisfaction of shareholders. At March 31, 2005, no complaints were pending. No applications were pending for transfer of shares at that date.

## XI. Committee of Directors

***Terms of reference***

The powers of the Committee include credit approvals as per authorisation approved by the Board, approvals in respect of borrowing and treasury operations and premises and property related matters and review of performance against targets for various business groups.

***Composition***

The Committee of Directors comprises all five wholetime Directors and is chaired by K.V. Kamath, Managing Director & CEO.

## XII. Asset Liability Management Committee

***Terms of reference***

The functions of the Committee include management of the balance sheet of the Bank, review of the asset-liability profile of the Bank with a view to manage the market risk exposure assumed by the Bank and deciding the deposit rates and Prime Lending Rate (PLR) of the Bank.

***Composition***

The Asset Liability Management Committee comprises the Joint Managing Director, Deputy Managing Director and two Executive Directors and is chaired by Lalita D. Gupte, Joint Managing Director.

## XIII. General Body Meetings

The details of General Body Meetings held in the last three years are given in the following table:

| General Body Meeting | Day, Date | Time | Venue |
|---|---|---|---|
| Eighth Annual General Meeting | Monday, September 16, 2002 | 2.00 p.m. | Professor Chandravadan Mehta Auditorium, General Education Centre, Opposite D. N. Hall Ground, The Maharaja Sayajirao University, Pratapgunj, Vadodara 390 002 |
| Ninth Annual General Meeting | Monday, August 25, 2003 | 2.00 p.m. | |
| Extraordinary General Meeting | Friday, March 12, 2004 | 2.00 p.m. | |
| Tenth Annual General Meeting | Monday, September 20, 2004 | 2.00 p.m. | |

***Postal Ballot***

To facilitate wider participation in the approval process, approval of shareholders for the sponsored ADS offering was voluntarily sought through postal ballot. Mr. R. Hariharan, Executive Director, S & S Business Solutions Private Limited was appointed as scrutiniser for conducting postal ballot process. Notices were sent to 475,753 shareholders and the last date for receiving the postal ballot forms by the scrutiniser was January 24, 2005. Till that date, 27,529 forms were received. According to the scrutiniser's report, the resolution was passed by majority of 99.96%. The result of the postal ballot was declared on January 28, 2005 and published on January 29, 2005 in the Financial Express (Ahmedabad, Bangalore, Chandigarh, Chennai, Delhi, Kochi, Kolkata & Mumbai editions) and in Vadodara Samachar (Vadodara) for the information of the Members.

## XIV. Disclosures

1. There are no materially significant transactions with related parties i.e., directors, management, subsidiaries, or relatives conflicting with the Bank's interests. The Bank has no promoter.
2. There were no instances of non-compliance in respect of any matter related to the capital markets, during the last three years.

## XV. Means of Communication

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

ICICI Bank's dedicated investor relations personnel respond to specific queries and play a proactive role in disseminating information to both analysts and investors. In accordance with Securities and Exchange Board of India (SEBI) and Securities Exchange Commission (SEC) guidelines, all information which could have a material bearing on ICICI Bank's share price is released at the earliest through leading domestic and global wire agencies. ICICI Bank also circulates its half-yearly results to its shareholders. As required by SEBI and the listing agreements, ICICI Bank files its financial and other information on the Electronic Data Information Filing and Retrieval (EDIFAR) website maintained by National Informatics Centre (NIC).

ICICI Bank's quarterly financial results are published in the Financial Express (Ahmedabad, Bangalore, Chandigarh, Chennai, Delhi, Kochi, Kolkata & Mumbai editions) and in Vadodara Samachar (Vadodara). The financial results, official news releases and presentations are also displayed on the website of ICICI Bank.

The Management's Discussion & Analysis forms part of the Annual Report.

## XVI. General Shareholder Information

***Eleventh Annual General Meeting***

| Date | Time | Venue |
|---|---|---|
| Saturday,<br>August 20, 2005 | 1.30 p.m. | Professor Chandravadan<br>Mehta Auditorium,<br>General Education Centre,<br>Opposite D. N. Hall Ground,<br>The Maharaja Sayajirao University,<br>Pratapgunj, Vadodara 390 002 |

| | | |
|---|---|---|
| Financial Calendar | : | April 1 to March 31 |
| Book Closure | : | August 6, 2005 to August 20, 2005 |
| Dividend Payment Date | : | August 22, 2005 |

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

| Stock Exchange | Code for ICICI Bank |
|---|---|
| The Stock Exchange, Mumbai (BSE)<br>Phiroze Jeejeebhoy Towers<br>Dalal Street, Mumbai 400 001 | 532174 |
| National Stock Exchange of India Limited (NSE)<br>Exchange Plaza, Bandra-Kurla Complex<br>Bandra (East), Mumbai 400 051 | ICICIBANK |
| New York Stock Exchange<br>(American Depositary Shares)[(1)]<br>11, Wall Street, New York, NY 10005,<br>United States of America | IBN |

(1) Each American Depositary Share (ADS) of ICICI Bank represents two underlying equity shares.

ICICI Bank has paid annual listing fees for fiscal 2006 on its capital to BSE and NSE and for calendar year 2005 to New York Stock Exchange (NYSE) where its securities are listed.

***Market Price Information***

The reported high and low closing prices and volume of equity shares of ICICI Bank traded during fiscal 2005 on BSE and NSE are given in the following table:

| Month | BSE | | | NSE | | | Total volume on BSE and NSE |
|---|---|---|---|---|---|---|---|
| | High (Rs.) | Low (Rs.) | Volume | High (Rs.) | Low (Rs.) | Volume | |
| April 2004 | 319.15 | 287.30 | 18,511,911 | 319.35 | 287.65 | 59,880,832 | 78,392,743 |
| May 2004 | 314.85 | 230.35 | 10,404,584 | 314.80 | 230.40 | 32,872,462 | 43,277,046 |
| June 2004 | 272.15 | 236.50 | 10,907,889 | 272.30 | 236.75 | 28,318,294 | 39,226,183 |
| July 2004 | 266.80 | 234.65 | 7,418,677 | 267.50 | 234.40 | 25,820,866 | 33,239,543 |
| August 2004 | 278.95 | 264.50 | 3,233,091 | 279.10 | 265.00 | 12,104,244 | 15,337,335 |
| September 2004 | 295.25 | 262.15 | 4,217,039 | 295.35 | 262.45 | 16,493,156 | 20,710,195 |
| October 2004 | 299.00 | 285.45 | 5,785,174 | 299.05 | 285.35 | 12,393,828 | 18,179,002 |
| November 2004 | 340.20 | 296.20 | 5,659,043 | 339.75 | 296.30 | 17,640,112 | 23,299,155 |
| December 2004 | 373.90 | 339.90 | 5,895,917 | 374.00 | 339.75 | 20,237,265 | 26,133,182 |
| January 2005 | 374.35 | 337.75 | 2,315,519 | 373.90 | 337.50 | 10,330,045 | 12,645,564 |
| February 2005 | 382.95 | 360.20 | 3,537,055 | 383.15 | 361.10 | 12,322,143 | 15,859,198 |
| March 2005 | 413.05 | 372.25 | 6,501,166 | 413.05 | 372.25 | 21,488,012 | 27,989,178 |
| Fiscal 2005 | 413.05 | 230.35 | 84,387,065 | 413.05 | 230.40 | 269,901,259 | 354,288,324 |

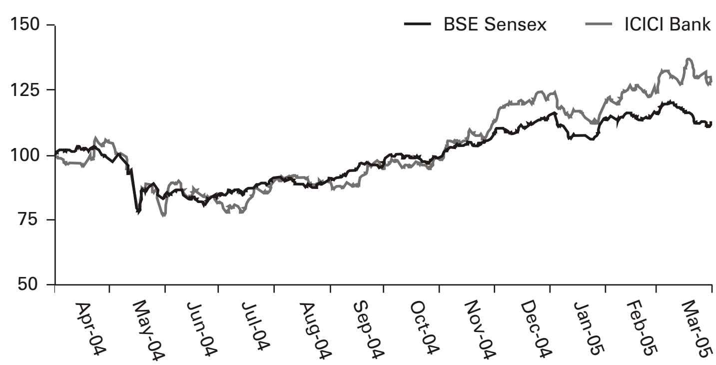
Source: Bloomberg and NSE

The reported high and low closing prices and volume of ADSs of ICICI Bank traded during fiscal 2005 on the NYSE are given in the following table:

| Month | High (US$) | Low (US$) | Number of ADSs traded |
|---|---|---|---|
| April 2004 | 17.25 | 15.50 | 8,998,800 |
| May 2004 | 16.80 | 11.57 | 20,874,900 |
| June 2004 | 13.20 | 11.75 | 17,817,100 |
| July 2004 | 13.02 | 11.25 | 7,323,700 |
| August 2004 | 13.55 | 11.99 | 7,416,600 |
| September 2004 | 13.91 | 12.20 | 5,646,600 |
| October 2004 | 15.76 | 13.76 | 7,727,000 |
| November 2004 | 18.85 | 15.55 | 8,841,400 |
| December 2004 | 20.45 | 18.61 | 9,383,000 |
| January 2005 | 19.77 | 18.27 | 9,305,200 |
| February 2005 | 22.65 | 20.20 | 8,365,000 |
| March 2005 | 22.50 | 18.87 | 22,001,100 |
| Fiscal 2005 | 22.65 | 11.25 | 133,700,400 |

Source: Yahoo Finance

The performance of ICICI Bank equity share relative to the BSE Sensitive Index (Sensex) is given in the following chart:




***Share Transfer System***

ICICI Bank's investor services are handled by 3i Infotech Limited (3i Infotech), formerly known as ICICI Infotech Limited. 3i Infotech operates in the following main areas of business: software consultancy and development, IT-enabled services, IT infrastructure and network and facilities management services. 3i Infotech has received the ISO-9001 certification for its transaction processing activities.

ICICI Bank's equity shares are traded only in dematerialised form. During the year, 8,723,737 equity shares of ICICI Bank were transferred into electronic mode, involving 38,516 certificates. At March 31, 2005 97.98% of ICICI Bank's paid-up equity capital (including equity shares represented by ADSs constituting 27.34% of the paid-up equity share capital comprising 201,396,818 equity shares) had been dematerialised.

Physical share transfers are registered and returned typically within a period of seven days from the date of receipt, if the documents are correct and valid in all respects. A letter is sent to the shareholder giving an option to receive shares in physical or dematerialised mode. A period of 30 days is given to the shareholder for sending his / her intimation. The shareholder then receives the shares in the form opted for. However, effective February 10, 2004, SEBI has withdrawn its transfer-cum-demat scheme. No applications for transfer of equity shares were pending as on March 31, 2005.

The number of equity shares of ICICI Bank transferred during the last three years (excluding electronic transfer of shares in dematerialised form) is given in the following table:

| | Fiscal 2003 | Fiscal 2004 | Fiscal 2005 |
|---|---|---|---|
| Number of transfer deeds | 8,140 | 17,675 | **8,059** |
| Number of shares transferred | 1,126,355 | 1,105,135 | **413,245** |

As required under Clause 47(c) of the listing agreements entered into by ICICI Bank with stock exchanges, a certificate is obtained every six months from a firm of practicing Company Secretaries, in regard to, *inter alia*, effecting transfer, transmission, sub-division, consolidation, renewal and exchange of equity shares and bonds in the nature of debentures within one month of their lodgement. The certificates are forwarded within 24 hours of issuance to stock exchanges where the equity shares are listed and also placed before the Board.

In terms of SEBI's circular no. D&CC/FITTC/CIR-16 dated December 31, 2002, a Secretarial Audit is conducted on a quarterly basis by a firm of Chartered Accountants, for the purpose of, *inter alia*, reconciliation of the total admitted equity share capital with the depositories and in the physical form with the total issued/paid up equity capital of ICICI Bank. Certificates issued in this regard are placed before the Share Transfer & Shareholders'/Investors' Grievance Committee and forwarded to stock exchanges where the equity shares of ICICI Bank are listed.

***Registrar and Transfer Agent***

The Registrar and Transfer Agent of ICICI Bank is 3i Infotech Limited. Investor services related queries may be directed to Padmanabhan Iyer at either of the addresses below:

**3i Infotech Limited**
International Infotech Park
Tower 5, 4th Floor
Navi Mumbai 400 705
Tel No.: +91-22-5592 8000
Fax: +91-22-5592 8099
Email: investor@icicibank.com

**3i Infotech Limited**
Maratha Mandir Annex
Dr. A. R. Nair Road
Mumbai Central
Mumbai 400 008

Queries relating to the operational and financial performance of ICICI Bank may be addressed to:
Rakesh Jha/Anindya Banerjee
ICICI Bank Limited
ICICI Bank Towers
Bandra-Kurla Complex
Mumbai 400 051
Tel No. : +91-22-2653 1414
Fax No. : +91-22-2653 1175
E-mail : ir@icicibank.com

***Information on Shareholding***

***Shareholding pattern of ICICI Bank at March 31, 2005***

| Shareholder Category | No. of shares | % holding |
|---|---|---|
| Deutsche Bank Trust Company Americas (Depositary for ADS holders) | 201,396,818 | 27.34 |
| FIIs and NRIs | 325,607,929 | 44.20 |
| Insurance Companies | 113,415,606 | 15.39 |
| Bodies Corporate | 33,998,813 | 4.61 |
| Banks and Financial Institutions | 1,386,862 | 0.19 |
| Mutual Funds | 12,322,500 | 1.67 |
| Individuals | 48,587,566 | 6.60 |
| Total | 736,716,094 | 100.00 |

***Shareholders of ICICI Bank with more than one per cent holding at March 31, 2005***

| Name of the Shareholder | No. of shares | % to total no. of shares |
|---|---|---|
| Deutsche Bank Trust Company Americas (Depositary for ADS holders) | 201,396,818 | 27.34 |
| Life Insurance Corporation of India | 71,510,085 | 9.71 |
| Allamanda Investments Pte Limited | 66,234,627 | 8.99 |
| Government of Singapore | 27,129,808 | 3.68 |
| HWIC Asia Fund | 26,465,361 | 3.59 |
| Bajaj Auto Limited | 22,371,913 | 3.04 |
| M & G Investment Management Limited A/c The Prudential Assurance Company Limited | 17,870,938 | 2.43 |
| The New India Assurance Company Limited | 17,496,338 | 2.37 |
| Templeton Global Advisors Limited A/c Templeton Funds Inc. | 11,341,987 | 1.54 |
| Merrill Lynch Capital Markets Espana S A SVB | 11,182,634 | 1.52 |
| General Insurance Corporation of India | 9,634,293 | 1.31 |
| National Insurance Company Limited | 8,072,359 | 1.10 |
| Citigroup Global Markets Mauritius Private Limited | 8,063,141 | 1.09 |
| CLSA Merchant Bankers Limited A/c CALYON | 7,956,737 | 1.08 |

***Distribution of shareholding of ICICI Bank at March 31, 2005***

| Range - Shares | No. of folios | % | No. of shares | % |
|---|---|---|---|---|
| Upto 1,000 | 440,247 | 98.94 | 37,318,845 | 5.07 |
| 1,001 - 5,000 | 3,704 | 0.83 | 7,444,003 | 1.01 |
| 5,001 - 10,000 | 359 | 0.08 | 2,518,302 | 0.34 |
| 10,001 - 50,000 | 335 | 0.08 | 7,438,641 | 1.01 |
| 50,001 & above | 293 | 0.07 | 681,996,303 | 92.57 |
| Total | 444,938 | 100.00 | 736,716,094 | 100.00 |

***Outstanding GDRs/ADSs/Warrants or any Convertible Debentures, conversion date and likely impact on equity***

ICICI Bank has about 100.7 million ADSs (equivalent to about 201.4 million equity shares) outstanding, which constituted 27.34% of ICICI Bank's paid-up equity share capital at March 31, 2005. Currently, there are no convertible debentures outstanding.

***Plant Locations*** - Not applicable

***Address for Correspondence***

Jyotin Mehta
General Manager & Company Secretary
ICICI Bank Limited
ICICI Bank Towers
Bandra-Kurla Complex
Mumbai 400 051
Tel No. : +91-22-2653 1414
Fax No. : +91-22-2653 1122
E-mail : jyotin.mehta@icicibank.com

The Bank has also complied with the non-mandatory requirements with respect to corporate governance.

## COMPLIANCE CERTIFICATE OF THE AUDITORS

ICICI Bank has annexed to this report, a certificate obtained from the statutory auditors, S.R. Batliboi & Co., Chartered Accountants, regarding compliance of conditions of corporate governance as stipulated in Clause 49 of the listing agreement.

## EMPLOYEE STOCK OPTION SCHEME

In fiscal 2000, ICICI Bank instituted an Employee Stock Option Scheme (ESOS) to enable the employees and Directors of ICICI Bank and its subsidiaries to participate in the future growth and financial success of the Bank. As per the ESOS as amended from time to time, the maximum number of options granted to any employee/director in a year is limited to 0.05% of ICICI Bank's issued equity shares at the time of the grant, and the aggregate of all such options is limited to 5% (equivalent to 36,862,405 shares at April 30, 2005) of ICICI Bank's issued equity shares on the date of the grant.

Options granted for fiscal 2003 and earlier years vest in a graded manner over a three-year period, with 20%, 30% and 50% of the grants vesting in each year, commencing not earlier than 12 months from the date of grant. Options granted for fiscal 2004 and beyond vest in a graded manner over a four-year period, with 20%, 20%, 30% and 30% of the grants vesting each year, commencing not earlier than 12 months from the date of grant.

Options can be exercised within 10 years from the date of grant or five years from the date of vesting, whichever is later. The price of the options granted prior to June 30, 2003 is the closing market price on the stock exchange, which recorded the highest trading volume on the date of grant. The price for options granted on or after June 30, 2003 till July 21, 2004 is equal to the average of the high and low market price of the equity shares in the two week period preceding the date of grant of the options, on the stock exchange which recorded the highest trading volume during the two week period. The price for options granted on or after July 22, 2004 is equal to the closing price on the stock exchange which recorded the highest trading volume preceding the date of grant of options. The above pricing is in line with the SEBI guidelines, as amended from time to time.

On the basis of the recommendation of the Board Governance & Remuneration Committee, the Board at its Meeting held on April 30, 2005 approved a grant of approximately 4.9 million options for fiscal 2005 to eligible employees and wholetime Directors. Each option confers on the employee a right to apply for one equity share of face value of Rs. 10 of ICICI Bank at Rs. 359.95, which was the last closing price on the stock exchange which recorded the highest trading volume in ICICI Bank shares on April 29, 2005.

Particulars of options granted by ICICI Bank upto April 30, 2005 are given below:

| | |
|---|---:|
| Options granted | 33,863,155 |
| Options vested | 17,235,711 |
| Options exercised | 8,380,223 |
| Number of shares allotted pursuant to exercise of options | 8,380,223 |
| Options forfeited/lapsed | 2,917,415 |
| Extinguishment or modification of options | - |
| Amount realised by exercise of options (Rs.) | 1,230,888,759 |
| Total number of options in force | 22,565,517 |

Options granted by ICICI Bank for fiscal 2005 to senior managerial personnel are as follows: K.V. Kamath - 250,000, Lalita D. Gupte - 165,000, Kalpana Morparia - 150,000, Chanda D. Kochhar - 125,000, Nachiket Mor - 125,000, Bhargav Dasgupta - 75,000, N.S. Kannan - 75,000, Sanjiv Kerkar - 37,500, Vishakha Mulye - 75,000, Ramni Nirula - 37,500, Nagesh Pinge - 45,000, Madhabi Puri-Buch - 75,000, K. Ramkumar - 75,000, Balaji Swaminathan - 75,000, V. Vaidyanathan - 75,000 and Pravir Vohra - 37,500. No employee/director has a grant, in any one year, of options amounting to 5% or more of total options granted during that year. No employee was granted options during any one year equal to or exceeding 0.05% of the issued equity shares of ICICI Bank at the time of the grant.

The diluted earnings per share (EPS) pursuant to issue of shares on exercise of options calculated in accordance with Accounting Standard 20 was Rs. 27.3 in fiscal 2005 against basic EPS of Rs. 27.6. Since the exercise price of ICICI Bank's options is the last closing price on the stock exchange which recorded the highest trading volume preceding the date of grant of options, there is no compensation cost in fiscal 2005 based on the intrinsic value of options. However, if ICICI Bank had used the fair value of options based on the Black-Scholes model, compensation cost in fiscal 2005 would have been higher by Rs. 481.4 million and proforma profit after tax would have been Rs. 19.57 billion. On a proforma basis, ICICI Bank's basic and diluted earnings per share would have been Rs. 26.89 and Rs. 26.67 respectively. The key assumptions used to estimate the fair value of options are:

| | |
|---|---|
| Risk-free interest rate | 4.609% - 9.330% |
| Expected life | 3 -10 years |
| Expected volatility | 38.753 - 67.900% |
| Expected dividend yield | 1.18 - 4.06% |

In respect of options granted in fiscal 2005, the weighted average price of the underlying share in the market on the date of grant of option, the weighted average exercise price of the options and the weighted average fair value of the options were Rs. 314.92 per share, Rs. 300.05 per option and Rs. 102.92 per option respectively.

## DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm:

1. that in the preparation of the annual accounts, the applicable accounting standards have been followed, along with proper explanation relating to material departures;
2. that they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Bank at the end of the financial year and of the profit or loss of the Bank for that period;
3. that they have taken proper and sufficient care for the maintenance of adequate accounting records, in accordance with the provisions of the Banking Regulation Act, 1949 and the Companies Act, 1956 for safeguarding the assets of the Bank and for preventing and detecting fraud and other irregularities; and
4. that they have prepared the annual accounts on a going concern basis.

## ACKNOWLEDGMENTS

ICICI Bank is grateful to the Government of India, RBI, SEBI and overseas regulators for their continued co-operation, support and advice. ICICI Bank wishes to thank its investors, the domestic and international banking community, investment bankers, rating agencies and stock exchanges for their support.

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

For and on behalf of the Board

Place: Mumbai
Date : July 15, 2005

N. VAGHUL
Chairman

# Auditors' Certificate on Corporate Governance

**To the Members of ICICI Bank Limited**

We have examined the compliance of conditions of corporate governance by ICICI Bank Limited ('Bank'), for the year ended on March 31, 2005, as stipulated in clause 49 of the Listing Agreements entered into by the said Bank with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Bank for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Bank.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Bank has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreements.

We state that no investor grievance is pending for a period exceeding one month against the Bank as per the records placed before the Share Transfer & Shareholders'/Investors' Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Bank nor the efficiency or effectiveness with which the management has conducted the affairs of the Bank.

For S.R. Batliboi & Co.
*Chartered Accountants*

per Viren H. Mehta
*Partner*
*Membership No.: 048749*

*Mumbai: April 30, 2005*

## ECONOMIC OVERVIEW

In fiscal 2004, the Indian economy recorded a GDP growth rate of 8.5%. Following this, initial growth projections for GDP growth in the fiscal 2005 were in the range of 6.2% to 7.4%. The Central Statistical Organisation (CSO) has reported overall GDP growth for fiscal 2005 at 6.9%. The highlight of the economy's performance in fiscal 2005 was the resurgence of the industrial sector coupled with buoyant exports and indications of a revival in the domestic capital investment cycle. The Index of Industrial Production (IIP) recorded an annual average growth rate of 8.1% in fiscal 2005 compared to 7.0% in fiscal 2004. This growth was driven mainly by the manufacturing sector which grew by 9.2% in fiscal 2005 compared to 6.9% in the previous year. This was partly offset by a decline in the growth rate of the mining sector from 6.6% to 4.5% while the electricity sector maintained its growth rate of 5.5%. The momentum of growth in the services sector (including construction) continued with an 8.6% growth in fiscal 2005. Agriculture and allied activities were adversely impacted by a below normal monsoon, in terms of timing and distribution of rainfall, and recorded a growth of only 1.1% compared to 9.6% in fiscal 2004. The agriculture sector's contribution to GDP growth declined from 24.0% in fiscal 2004 to 3.6% in fiscal 2005.

The growth trends were accompanied by continued macro-economic stability, despite a sharp increase in global oil prices and rising interest rates globally and in India. The average annual rate of inflation as measured by the Wholesale Price Index was 6.5% for fiscal 2005 as compared to 5.4% for fiscal 2004. The year-on-year rate of inflation peaked at 8.7% for the week ended August 28, 2004 before declining to 5.1% for the week ended March 26, 2005. Reserve Bank of India (RBI) has responded by increasing the Cash Reserve Ratio (CRR) from 4.50% to 5.00% in September 2004 and the reverse repo rate from 4.50% to 4.75% in October 2004 and then to 5.00% in April 2005.

India's exports stood at US$ 80.8 billion during fiscal 2005, a growth of 24.9% over the previous year. During the first eleven months of fiscal 2005 primary exports recorded a growth of 24.7% and manufactured goods a growth of 22.2%. According to RBI, invisibles receipts reached US$ 77.5 billion during fiscal 2005, a growth of 46.3% over the previous year. According to NASSCOM, Indian software and IT services exports have grown by 34.5% to US$ 17.2 billion in fiscal 2005. Increasing oil prices and growing import demand from a resurgent manufacturing sector resulted in the current account witnessing a deficit for the first time in three years (US$ 6.4 billion during fiscal 2005). The current account however, was in a surplus of US$ 159.0 million for the fourth quarter of fiscal 2005 mainly on account of invisibles receipts. International crude oil prices increased from US$ 35.76 per barrel at March 31, 2004 to a peak of US$ 60.54 per barrel at June 27, 2005 before declining to US$ 56.50 per barrel at June 30, 2005. Foreign Direct Investment (FDI) into India was US$ 5.6 billion during fiscal 2005 while net portfolio investment was US$ 8.9 billion. Foreign exchange reserves continued to grow, reaching US$141.5 billion on March 31, 2005.

The resilience displayed by the economy in fiscal 2005 is evidence of the broad-based and sustainable nature of India's growth momentum. The Union Budget for fiscal 2006 aims at achieving a balanced development framework with emphasis on both the rural economy as well as the urban centres. Stimulation of infrastructure investment continues to remain a key imperative to realise India's full potential. With the resurgence of the manufacturing sector and robust growth in the services sector, the growth prospects for fiscal 2006 appear favourable.

## FINANCIAL SECTOR OVERVIEW

The financial sector witnessed significant developments during fiscal 2005. Credit growth strengthened with an increase in industrial activity. Non-food credit increased by 29.1% in fiscal 2005 compared to 18.5% in fiscal 2004. Based on data published by RBI, the industrial sector is estimated to have accounted for 27.0% of credit growth in fiscal 2005 as compared to 16.0% in fiscal 2004. The contribution of retail credit growth to overall credit growth was the largest at 42.0% of total non-food credit. The credit-deposit ratio increased from about 56.0% in April 2004 and stood at about 60.0% from November 2004 onwards. The incremental credit deposit ratio, excluding the impact of conversion of IDBI into a bank, was about 100.0% in March 2005 compared to about 60.0% at the beginning of the year. Deposit grew by Rs. 2,285.26 billion, or 14.5%, in fiscal 2005 compared to 16.2% in fiscal 2004. The average yield on 10-year government securities increased from 5.5% in fiscal 2004 to 6.2% in fiscal 2005. In response to the hike in CRR and the reverse repo rate in the RBI's mid-year review, in November 2004, banks increased their benchmark prime lending and deposit rates.

Growth in both the life and non-life insurance markets was significant. First year premium underwritten in the life insurance sector recorded a growth of 35.7% to reach Rs. 253.43 billion in fiscal 2005 with the private sector's market share increasing from 13.0% in fiscal 2004 to 21.9% in fiscal 2005. Gross premium in the non-life insurance sector grew by 12.8% to Rs. 180.95 billion in fiscal 2005 with the private sector's market share increasing from 14.1% in fiscal 2004 to 19.6% in fiscal 2005. Total assets under management of mutual funds grew by 7.2% from Rs. 1,396.16 billion at March 31, 2004 to Rs. 1,496.00 billion at March 31, 2005.

The banking sector witnessed several important regulatory developments. In June 2004, guidelines on capital for market risk were issued. Under this, banks would be required to maintain a capital charge for market risk in respect of their trading and available for sale investment portfolios. RBI has issued draft guidelines for the implementation of the revised capital adequacy framework of the Basel Committee. These are to be effective from fiscal 2007 and prescribe a 75.0% weight for retail credit exposure, rating based differential risk weights for other credit exposures and a capital charge for operational risk. A roadmap for the presence of foreign banks in India has also been outlined. Initially, foreign banks are allowed entry only in private sector banks identified by RBI for restructuring in which acquisition is allowed in a phased manner. On February 28, 2005, RBI released guidelines on ownership and governance in private sector banks.

The Indian financial sector is rapidly moving towards international benchmarks. Progress in the direction of increasing efficiency, transparency and dynamism in the system has been rapid. Given the rapid growth prospects in India, the financial sector has a crucial role to play in the development of the economy. Broad based reforms have made the banking sector competitive and have positioned it well to support sustainable growth in a fast growing economy.

## ORGANISATION STRUCTURE

Our organisation structure is designed to be flexible and customer-focused, while seeking to ensure effective control and supervision and consistency in standards across the organisation and align all areas of operations to overall organisational objectives. The organisation structure is divided into four principal groups - Retail Banking, Wholesale Banking, International Business and Corporate Centre.

The Retail Banking Group (RBG) is responsible for our products and services for retail customers and small and medium enterprises including various credit products, liability products (including our own products as well as distribution of third party liability products) and transaction banking services.

The Wholesale Banking Group (WBG) is responsible for our products and services for corporate clients, including credit and treasury products, project finance, structured finance and transaction banking services. This group is also responsible for our securitisation activities. The Rural, Micro-banking & Agri-business Group (RMAG) forms part of WBG.

The International Business Group (IBG) is responsible for our international operations, including our operations in various overseas markets as well as our products and services for non-resident Indians (NRIs) and our international trade finance and correspondent banking relationships.

The Corporate Centre comprises all shared services and corporate functions, including finance and balance sheet management, secretarial, investor relations, risk management, legal, human resources and corporate branding and communications. A separate team within the Corporate Centre is responsible for our proprietary trading activities.

In addition to the above, there are certain specialised groups namely, Technology Management Group (TMG) which is responsible for enterprise-wide technology initiatives, Organisational Excellence Group (OEG) which is responsible for quality initiatives and Social Initiatives Group (SIG) which is responsible for our social and community development activities.

## BUSINESS REVIEW

During fiscal 2005, ICICI Bank continued to grow and diversify its asset base and revenue streams by leveraging the growth platforms created over the past few years. We consolidated our leadership position in retail credit, achieved robust growth in our fee income from both corporate and retail customers, grew our deposit base and significantly scaled up our international operations.

### Retail Banking

We entered the retail business in 1998 and it has been a key driver of our growth since 2001. While we were among the first banks to identify the growth potential of retail credit in India, over the last two years the banking system as a whole has seen significant expansion of retail credit, with retail loans accounting for a major part of overall systemic credit growth. We believe that the systemic growth is driven by sound fundamentals, namely, rising income levels, favourable demographic profile and wide availability and affordability of credit. At the same time, the retail credit business requires a high level of credit and analytical skills and strong operations processes backed by technology. Our retail strategy is centred around a wide distribution network, leveraging our branches and offices, direct marketing agents and manufacturer, dealer and real estate developer relationships; a comprehensive and competitive product suite; technology-enabled back-office processes and a robust credit and analytical framework.

We are the largest provider of retail credit in India and have the largest retail loan portfolio among banks in the country. In fiscal 2005, we maintained and enhanced our market leadership in every segment of the retail credit business, including home loans, car loans, personal loans and credit cards. Our total retail disbursements in fiscal 2005 were approximately Rs. 433.00 billion, compared to approximately Rs. 288.00 billion in fiscal 2004. Our total retail portfolio increased from Rs. 334.23 billion at March 31, 2004 to Rs. 561.33 billion at March 31, 2005, constituting 61% of loans. We continued our focus on retail deposits to create a stable funding base. At March 31, 2005 we had over 13 million retail customer accounts.

During fiscal 2005, we expanded our branch network. At March 31, 2005, we had 562 branches and extension counters compared to 469 branches and extension counters at March 31, 2004. We continued to expand our electronic channels, namely internet banking, mobile banking, call centres and ATMs, and migrate customer transaction volumes to these channels. During fiscal 2005, over 70% of customer induced transactions took place through these electronic channels. We increased our ATM network to 1,910 ATMs. Our call centres have a total seating capacity of about 3,000 including 1,954 inbound sales and service workstations across two locations. Transaction volumes on internet and mobile banking have increased significantly. We continue to leverage our multi-channel network for distribution of third party products like mutual funds, Government of India relief bonds and insurance products as well as initial public offerings of equity. www.ICICIdirect.com (ICICIdirect) is a leading online share trading platform, and also enables investments in other forms such as mutual funds and government savings instruments.

Customer service is a key focus area for the executive management under the supervision of the Board. We have adopted a multi-pronged strategy for continuously enhancing customer service levels. These include constitution of a Customer Service Council, creation of a dedicated customer service group, implementation of a structured customer feedback process and quality initiatives, training of employees and incorporation of customer service metrics in performance evaluation. The Customer Service Council focuses on building and strengthening customer service orientation in the Bank, simplifying processes and initiating measures for improvement in customer service levels. A dedicated Customer Service Quality Group at the Corporate Office is responsible for tracking resolution and turnaround times for service requests, identifying root causes to be addressed through process improvements and institutionalising learnings from customer feedback. The Board of Directors periodically reviews the initiatives taken by the Bank in this area.

***Small and medium enterprises***

We have significantly enhanced our franchise in the small enterprises segment. Our strategy has focused on customer convenience in transaction banking services, as well as working capital loans to suppliers or dealers of large corporations, and clusters of small enterprises that have a homogeneous profile. During fiscal 2005, we expanded our reach to over 100 locations from where we service small and medium enterprises, increased the number of products offered and clusters covered and achieved robust growth in business volumes. We partnered with media organisations and a rating agency to organise the “Emerging India” awards to recognise the achievements of small and medium enterprises.

## Corporate Banking

Our corporate banking strategy is based on providing comprehensive and customised financial solutions to our corporate customers. We offer a complete range of corporate banking products, including rupee and foreign currency debt, working capital credit, structured financing, syndication and transaction banking products and services.

In fiscal 2005, we continued to strengthen our corporate relationships, gaining entry into a number of target clients in both the public and private sector. We currently have relationships with a substantial number of the top 200 companies in India. Fiscal 2005 saw a revival in demand for credit from the corporate sector, with a renewal of the industrial investment cycle. We focused on capitalising on credit and fee income opportunities arising out of this emerging trend. We have successfully used technology, both as an enabler and a differentiator, to achieve high penetration levels in the transaction banking business, contributing to our fee income streams. Our corporate banking operations hub is ISO 9001 certified. We offer online delivery capability for over 70% of the core finance functions of corporate clients. We have implemented quality processes across our corporate banking operations and reduced turnaround times. We believe we are the market leader in cash management services in India. The corporate markets business focused on delivery of market solutions such as foreign exchange products, derivatives and market-making in corporate bonds to our corporate clients. There was significant growth in foreign exchange and derivative transaction volumes. ICICI Bank was named "India Derivatives House of the Year" for 2004 by Asia Risk magazine. The above strategies enabled us to achieve robust growth in our fee income in fiscal 2005.

The growing internationalisation of Indian industry offers significant opportunities in the corporate banking space. The Bank's international presence combined with its domestic balance sheet enables it to offer a wide range of credit and trade finance solutions to Indian companies. With the requisite regulations now in place, we see a growing opportunity in being involved in the overseas acquisitions being made by Indian companies. The client-related corporate markets business is now being re-organised into the Global Markets Group which will integrate the client-centric treasury operations of the Bank in India and overseas. We have also launched a global cash management services product by straight through integration of our corporate internet banking platform with the SWIFT network.

We continued to build on our competencies in structured finance and leverage them in path-breaking securitisation transactions. We are the market leader in securitisation in India, with securitisation and sell-down volumes of over Rs. 170.00 billion in fiscal 2005. We also achieved leadership in debt private placement.

***Project Finance***

The project finance sector in India is now witnessing growth across the spectrum - in infrastructure, oil & gas and manufacturing sectors. In the airport sector, the development of two greenfield international airports at Bangalore and Hyderabad has commenced while the bidding process for modernisation of Mumbai and Delhi airports is underway. The road sector is also experiencing a resurgence of activity. A number of projects have already been announced by National Highways Authority of India (NHAI) and a strong pipeline of projects has been identified for bidding during the year. In the port sector, investments are being made to create additional container terminal capacity including international trans-shipment terminals, given the growing importance of external trade for the economy and also the worldwide trend towards containerisation of cargo. Similarly, bulk cargo-handling capacities are also being set up specifically catering to captive and identified needs of various customers. The telecom sector is continuing its rapid growth which is being facilitated by the ongoing process of consolidation. The power sector is making progress, especially in creation of hydroelectric generation capacity in the private sector and the large investment plans of public sector entities. Oil and gas exploration continues to be a key focus area. Development of recent offshore gas finds coupled with international sourcing of gas through pipelines and mini LNG terminals is an area of opportunity. The manufacturing sector is also witnessing new capacity creation in sectors where India has globally sustainable competitive advantage including steel, aluminum, zinc, textile and auto ancillaries.

We have, over the years, developed project financing expertise across sectors and are well positioned to leverage the emerging opportunities. ICICI Bank's project financing strategy focuses on origination of tightly structured projects by leveraging its international quality due diligence skills coupled with syndication capability. The projects are structured to ensure easy syndication and also subsequent sell-down of our exposure in order to manage portfolio risk. Some of the major deals during fiscal 2005 included lead arranger mandates for a telecommunications project, an international airport project, a greenfield container trans-shipment terminal and steel capacity expansion project.

***Rural banking and agri-business***

We have formulated a comprehensive strategy for rural and micro-banking and agri-business, encompassing products and channels, with the twin objectives of meeting the needs of the rural economy while building a sustainable business model. We offer a comprehensive suite of products, comprising six primary credit products - micro-finance loans, farmer financing, working capital financing for agri-enterprises, farm equipment financing, commodity-based financing and jewel loans, as well as savings, investment and insurance products. Our channel strategy envisages multiple channels targeting specific segments of the rural population. These include rural branches, branches at major agricultural markets, credit franchisees, rural internet kiosks and micro-finance institution partnerships. We seek to achieve deep penetration in identified areas through a combination of these channels. In fiscal 2005, over 2,000 internet kiosks were set up across 10 identified focus states. A wide spectrum of products have been sold through the kiosks, including life and general insurance policies, loans and rural savings accounts. ICICI Bank branches were established in nine of the largest agricultural markets in the country. In addition, 70 agri desks were established in locations with large agricultural markets. The total number of partner micro finance institutions/ non-government organisations was scaled up to 45 (from 12 at March 31, 2004), with the total client base going up to over 1 million households (from 350,000 at March 31, 2004). We have adopted an integrated approach to agricultural financing by addressing the entire value chain from production to consumption with a deep sectoral focus. We are exploring all business opportunities in the integration of the value chain, including the creation of rural infrastructure like cold storage facilities and warehouses.

**International Banking**

In 2001, we identified international banking as a key opportunity, aiming to cater to the cross-border needs of clients and leverage our domestic banking strengths to offer products internationally. The Bank has made significant progress in the international business since we set up our first overseas branch in Singapore in 2003. ICICI Bank currently has subsidiaries in the United Kingdom, Russia and Canada, branches in Singapore and Bahrain and representative offices in the United States, United Arab Emirates, China, South Africa and Bangladesh. The Russian subsidiary was established through the acquisition of Investitsionno-Kreditny Bank (IKB), a Russian bank with total assets of about US$ 4.4 million. The Bank is awaiting regulatory approval from host country regulators to set up branches in Sri Lanka, the United States and Hong Kong.

The Bank has established a strong franchise in the NRI business and further consolidated its position in fiscal 2005. The Bank has established strong customer relationships by offering a comprehensive product suite, technology-enabled access for overseas customers, a wide distribution network in India and alliances with local banks in various markets. The Bank has over 400,000 NRI customers and has substantially increased its market share in inward remittances into India. The Bank has built several strategic alliances with banks like Wells Fargo in USA, Lloyds TSB in UK and DBS in Singapore. These alliances have enabled us to provide greater value to our NRI customers by seamlessly catering to their local and India-related banking needs. The Bank has undertaken significant brand-building initiatives in international markets and has emerged among the most recognised financial services brands for NRIs. In Canada, the Bank has grown beyond the NRI segment and is emerging as a recognised brand in the local financial services segment.

Our overseas subsidiaries and branches launched several products during the financial year. ICICI Bank UK became the first Indian bank in the UK to launch credit cards. ICICI Bank Canada offered a unique product 'Hello Canada' which was primarily targeted at immigrants to Canada and helps customers to set up their banking services for Canada before immigration to the country. ICICI Bank also successfully launched a direct banking offering using the internet as the access channel. The Bank leveraged India based delivery skills by outsourcing several back office operations from the UK and Canada subsidiaries to central processing shops in India. ICICI Bank UK has achieved a profit and set off its accumulated losses, in its first full year of operations. The Bank has also launched the global remittance initiative, targeting non-Indian communities, by leveraging its core capabilities of technology based service delivery.

The Bank focused on increasing market share in trade finance by leveraging and further strengthening correspondent banking relationships. The Bank is now a preferred partner for Indian companies for syndication of external commercial borrowings and other fund raising in international markets. The Bank further strengthened correspondent banking relationships with banks in new regions in fiscal 2005 and launched several products to develop new revenue streams.

The Bank strengthened its international private banking offering to service the wealth management needs of the large and growing population of affluent and high net worth customers. With a portfolio of in-house and third party products, the bank has created a holistic product suite across the entire risk spectrum starting from deposits and bonds to the more complex structured derivative products, private equity and real estate. The Bank entered into alliances with leading international product providers to offer private banking solutions.

## GROUP COMPANIES

ICICI Prudential Life Insurance Company (ICICI Prudential Life) continued to maintain its market leadership among private sector life insurance companies, with a retail market share of 34%. Life insurance companies worldwide require five to seven years to achieve breakeven, in view of business set-up and customer acquisition costs in the initial years as well as reserving for actuarial liability. The company's unaudited New Business Achieved Profit (NBAP) for fiscal 2005 was Rs. 3.12 billion. NBAP represents the present discounted value of future profit streams from new policies written by the company during the year, calculated on the basis of certain assumptions as to mortality and other parameters. Internationally, life insurance companies in the growth phase are valued as a multiple of their NBAP.

ICICI Lombard General Insurance Company (ICICI Lombard) maintained its leadership position among private sector general insurance companies, with a market share of 25%. ICICI Lombard achieved a profit after tax of Rs. 0.48 billion in fiscal 2005 and a return on equity of 20%.

ICICI Securities Limited (ICICI Securities) achieved a profit after tax of Rs. 0.64 billion in fiscal 2005 despite a sharp decline in fixed income gains due to the prevailing interest rate environment. The company made rapid progress in its equity brokerage and investment banking businesses.

ICICI Venture Funds Management Company Limited (ICICI Venture) strengthened its leadership position in private equity in India, investing its India Advantage Fund and entering into a joint venture with Tishman Speyer Properties for investment in real estate. The company's funds under management were about Rs. 34.00 billion and it achieved a return on equity of 83%.

The Bank and Prudential plc of UK have agreed that the Bank acquire 6% of the paid-up equity capital of Prudential ICICI Asset Management Company Limited and Prudential ICICI Trust Limited, consequent to which these two companies will become subsidiaries of the Bank. Prudential ICICI Mutual Fund is among India's two largest private sector mutual funds with funds under management of Rs. 153.00 billion at March 31, 2005.

## CREDIT RATINGS

ICICI Bank's credit ratings by various credit rating agencies are given below:

| Agency | Rating |
|---|---|
| Moody's Investor Service (Moody's) | Baa3 |
| Standard & Poor's (S&P) | BB+ |
| Credit Analysis & Research Limited (CARE) | CARE AAA |
| Investment Information and Credit Rating Agency (ICRA) | AAA |

## RISK MANAGEMENT

Risk is an integral part of the banking business and we aim at the delivery of superior shareholder value by achieving an appropriate trade-off between risk and returns. We are exposed to various risks, including credit risk, market risk and operational risk. Our risk management strategy is based on a clear understanding of various risks, disciplined risk assessment and measurement procedures and continuous monitoring. The policies and procedures established for this purpose are continuously benchmarked with international best practices. The risk management function is supported by a comprehensive range of quantitative and modeling tools developed by a dedicated risk analytics team.

We have two dedicated groups, the Risk Management Group (RMG) and the Compliance & Audit Group (CAG) which are responsible for assessment, management and mitigation of risk in ICICI Bank. These groups form part of the Corporate Centre, are completely independent of all business operations and are accountable to the Risk and Audit Committees of the Board of Directors. RMG is further organised into Credit Risk Management Group, Market Risk Management Group, Retail Risk Management Group and Risk Analytics Group. CAG is further organised into the Compliance & Anti-Money Laundering Group and the Internal Audit Group.

### Credit Risk

Credit risk is the risk that a borrower is unable to meet its financial obligations to the lender. We measure, monitor and manage credit risk for each corporate borrower and also at the portfolio level. We have standardised credit approval processes, which include a well-established procedure of comprehensive credit appraisal and rating. We have developed internal credit rating methodologies for rating obligors as well as for products/ facilities. The rating factors in quantitative, qualitative issues and credit enhancement features specific to the transaction. The rating serves as a key input in the approval as well as post-approval credit processes. Credit rating, as a concept, has been well internalised within the Bank. The rating for every corporate borrower is reviewed at least annually and for higher risk credits and large exposures on a more regular basis. Industry knowledge is constantly updated through field visits, interactions with clients, regulatory bodies and industry experts.

In our retail credit operations, all products, policies and authorisations are approved by the Board or a Board Committee. Credit approval authority lies only with our credit officers who are distinct from the sales teams. Our credit officers evaluate credit proposals on the basis of the approved product policy and risk assessment criteria. Credit scoring models are used in the case of certain products like credit cards, External agencies such as field investigation agencies and credit processing agencies are used to facilitate a comprehensive due diligence process including visits to offices and homes in the case of loans to individual borrowers. Before disbursements are made, the credit officer conducts a centralised check on the delinquencies database and review of the borrower's profile. We continuously refine our retail credit parameters based on portfolio analytics.

### Market Risk

Market risk is the risk of loss resulting from changes in interest rates, foreign currency exchange rates, equity prices and commodity prices. Our exposure to market risk is a function of our trading portfolio, mandated government securities portfolio, asset-liability management activities and our role as a financial intermediary in customer-related transactions. The objective of market risk management is to minimise the impact of losses due to market risk, on earnings and equity capital.

Market risk policies include asset-liability management (ALM) policies and policies for the trading portfolio. The Asset Liability Management Committee (ALCO) of the Board of Directors stipulates liquidity and interest-rate risk limits, monitors risk levels by adherence to set limits and articulates the organisation's interest rate view. A separate set of policies for the trading portfolio address issues related to investments in various trading products. RMG exercises independent control over the process of market risk management and recommends changes in processes and methodologies for measuring market risk.

Interest rate risk is measured through the use of re-pricing gap analysis and duration analysis. Liquidity risk is measured through gap analysis. We ensure adequate liquidity at all times through systematic funds planning and maintenance of liquid investments as well as by focusing on more stable funding sources such as retail deposits. We mitigate our exposure to exchange rate risk by stipulating daily stop-loss limits and position limits.

The Treasury Middle Office Group monitors the asset-liability position under the supervision of the ALCO. It also monitors treasury activities, including determining compliance with various exposure and dealing limits, verifying the appropriateness and accuracy of various transactions, processing these transactions, tracking the daily funds position and all treasury-related management and regulatory reporting.

### Operational Risk

Operational risk can result from a variety of factors, including failure to obtain proper internal authorisations, improperly documented transactions, failure of operational and information security procedures, computer systems, software or equipment, fraud, inadequate training and employee errors. We attempt to mitigate operational risk by maintaining a comprehensive system of internal controls, establishing systems and procedures to monitor transactions, maintaining key back-up procedures and undertaking regular contingency planning. Processes have been categorised based on the frequency and impact of the operational risk that they carry. Based on this classification, mitigants have been outlined to reduce the risk. We have initiated work on modeling the impact of losses arising out of operational risk inherent in different processes as part of our approach towards the new Basel Capital Accord.

The Middle Office Group monitors adherence to credit and investment procedures. The Internal Audit Group undertakes a comprehensive audit of all business groups and other functions, in accordance with a risk-based audit plan. This plan allocates audit resources based on an assessment of the operational risks in the various businesses. We have been a pioneer in the implementation of a risk-based audit methodology in the Indian banking sector. The Internal Audit Group conceptualises and implements improved systems of internal controls to minimise operational risk.

## TREASURY

Effective fiscal 2004, we restructured our treasury operations to separate the balance sheet management function, the client-related corporate markets business and the proprietary trading activity. The balance sheet management function and proprietary trading activity now form part of the Corporate Centre, while the client-related corporate markets business formed part of the Wholesale Banking Group in fiscal 2005 and is now being reorganised into the Global Markets Group.

Fiscal 2005 saw a reversal in the interest rate environment. The government bond markets witnessed significant volatility in yields. The balance sheet management function managed interest rate sensitivity to limit the negative impact of rising yields by reducing the duration of the government securities portfolio held for compliance with statutory liquidity reserve (SLR) norms. The focus of our proprietary trading operations was to maximise profits from positions across key markets including corporate bonds, government securities, interest-rate swap, equity and foreign exchange markets. The adverse fixed income market conditions led to lower gains from the proprietary trading operations. However the Bank continued to capitalise on opportunities in the equity markets, realising gains on its equity portfolio acquired by way of project finance and debt restructuring as well as trading operations.

In line with the expansion of international business of the bank, the treasury also expanded its functioning across the Bank's international branches. A treasury function was set up at Bahrain for supporting the operations of the Bahrain branch, in addition to the operations at the Singapore branch and the Offshore Banking Unit at Mumbai.

## INFORMATION TECHNOLOGY

ICICI Bank has been a pioneer in revolutionising and reshaping the way banking is done in India, through the deployment of technology on a large scale across our operations. We have created technology-based channels with high levels of functionality for our customers to access our services, and deployed technology across our internal processes and back-office operations. We continue to be in the forefront of using technology as a business enabler and for gaining competitive advantage.

We continue to develop and enhance our channel infrastructure. We were the first bank to connect to the National Financial Switch (NFS). We have also leveraged our ATM network to enable more transactions, such as donations for tsunami relief and online mobile telephone balance top-up facilities to our customers. We significantly enhanced our call centre technology to facilitate more convenient customer access. Our customers can now use their debit and credit card numbers to access their banking and credit card accounts directly through our Interactive Voice Response (IVR) system. We have installed separate numbers for different types of customers and product lines to provide quicker access to our phone banking representatives. Taking forward our strategy to offer multi-channel access and enhanced functionality to our customers, we have added new services on mobile banking for various deposit, credit card and demat accounts. We have also tied up with a leading telecom services provider for payment of mobile phone bills through SMS. We have also tied up with the Indian Railways and a private sector airline to provide online ticketing to our customers.

During fiscal 2005, we implemented major enhancements to our customer relationship management (CRM) and credit card systems. These will enable us to handle higher volumes and provide newer transaction capabilities to our customers. Our payment gateway has also been revamped to provide us additional capabilities for servicing both customers and merchants. Our transaction volumes have increased rapidly over the past year.

Our off-site data centre outside Mumbai has been strengthened to further improve the availability of applications and security of customer data. We have been among the leading players to have implemented newer data telecommunication and data compression technologies which have helped improve the efficiency of our Wide Area Network. We continue to focus closely on customer data security. We have improved the security around online transactions to guard against unauthorised activity and external attacks. A new methodology for second factor authentication for funds transfers to third parties, above threshold limits, on the internet, has been introduced in addition to the requirement of a transaction password.

Technology is a critical element of our strategy for international expansion. We are leveraging on our core technology strengths in India to build our global franchise. Components of technology in each of our overseas operations have been outsourced to specialised teams in India. This has helped us in reducing additional investments by leveraging on existing competencies. We expect to build on this model in the future as well.

We continue to experiment with a number of emerging technologies and are working closely with technology leaders both in laboratory and pilot environments. We are confident that these technologies will help us maintain our technology leadership into the future.

## HUMAN RESOURCES

At March 31, 2005, ICICI Bank had about 18,000 employees. During fiscal 2005, the human resources management strategy continued to focus on the three core elements of talent acquisition, training and leadership development.

We maintained our position as a preferred employer for students passing out of the leading educational institutions in the country, enabling us to attract the best talent for the Bank's diverse and growing operations. We significantly enhanced our recruitment capability by establishing relationships with a larger number of educational institutions across diverse disciplines. We recruited over 1,500 employees through the campus recruitment process. We also demonstrated our ability to attract talent internationally for staffing our overseas operations.

All new employees go through an induction process to imbibe the Bank's organisational culture and philosophy, through structured induction programmes. Employees undergo product and process training before being assigned to specific job roles. The focus is on ensuring that every employee is certified to have the requisite product and process knowledge before he or she enters into the job responsibility. Along with functional training, all new employees undergo training in customer service through specially designed programmes. In addition to the training for new recruits, all employees periodically undergo training programmes for developing their functional and behavioural skills.

The Bank has placed strong emphasis on leadership development, to identify and develop a pool of talent that can take up leadership positions in the Bank. The Bank has put in place a rigorous, multi-layer talent identification process to systematically identify talented managers to be groomed for leadership. The process for identifying and developing leaders takes into account inputs from thought leaders in this area internationally. The leadership development process involves personal investment of time by the wholetime Directors and senior management in mentoring high potential managers. The Bank has involved potential leaders in policy making and has encouraged them to engage with other employees as listening-posts through "talk-to-me" sessions, which develops their organisational and managerial capabilities while providing a feedback mechanism for the organisation, providing employees an opportunity to discuss issues that concern them with the organisational leadership. The Bank's identified leadership pool doubled in number in fiscal 2005. The American Society for Training & Development (ASTD), an organisation that benchmarks HR practices internationally, has acknowledged ICICI Bank's talent acquisition and nurturing practices as being among the best in Asia and comparable with global standards.

## ORGANISATIONAL EXCELLENCE

The Organisational Excellence Group, headed by a Senior General Manager who reports to the Managing Director & CEO, is engaged in institutionalising quality across the Bank by building skills and capabilities in various quality frameworks. The group has evolved a holistic workplace transformation model by integrating various quality methodologies such as Five S and Six Sigma. The group has been instrumental in facilitating enterprise-wide deployment of Five S and is currently catalysing the deployment of quality processes across the Bank. The group works with business units to leverage quality for business improvements. The group also supports other ICICI group companies in their quality initiatives.

## COMMUNITY DEVELOPMENT

Our social initiatives are designed to improve the capacities of the poorest of the poor to participate in the larger economy. We believe that optimising child health in the early years, providing universal elementary education and maximising access to micro financial services are critical for facilitating effective participation.

### Early Child Health

We seek to maximise the proportion of infants born healthy and ensure optimal growth and development outcomes in the first three years of life. In fiscal 2005, we partnered with DHAN Foundation, an NGO in Tamil Nadu, with federated self-help groups (SHGs) and a robust micro finance programme to examine whether (a) SHGs provide an effective mechanism for improving health outcomes through community-based and participatory 'behaviour change communication' (b) SHGs can mobilise communities and interface with local institutions to activate the public health system; and (c) innovative integration of microfinance and health care interventions can reduce health care expenditure. Additionally, we participated in planning for and developing a community based health worker programme for the state of Jharkhand based on the learnings derived from an operations research project funded by us in two blocks of Ranchi district. We also consolidated our efforts to improve health of new-born infants in the city of Mumbai through health system reform and community action.

### Elementary Education

We believe that education is a basic capacity required by every individual to critically participate in social, political and economic processes and avail of opportunities to acquire additional advanced skills throughout life. The aim of our work in elementary education is to maximise the number of 14 year-olds who have a basic level of education. During fiscal 2005, we explored issues influencing the quality of education received by poor children in urban areas, undertook initiatives to collect data on student learning and supported resource organisations working in the area of early childhood education. Further in continuation of our strategy to strengthen core educational structures at the state level, we explored partnerships with the state governments of Delhi, Madhya Pradesh and Rajasthan. In addition, we consolidated our initiative with the State Council of Educational Research and Training, Chhattisgarh for development and testing of curricula and textbooks and other capacity building measures.

### Micro Financial Services

Our initiatives in the area of micro financial services seek to ensure that all individuals, especially the poorest, have access to financial services. Our work in this area is to ensure universal access to financial services and develop a comprehensive suite of financial services. In particular, we are investing in training facilities for the creation and strengthening of micro finance institutions (MFIs) as also working towards addressing constraints such as lack of capital and non-availability of suitable IT solutions. During fiscal

2005, we made rapid strides in developing several products, including savings, investments, pension, remittances and insurance (life and non life, including weather, cattle and health insurance). These products are in varying stages of development. A comprehensive health insurance product has already been introduced through ICICI Lombard General Insurance Company for the poor in Anekal Taluka in Karnataka. The product insures 60,000 lives and provides cashless treatment for 1,600 surgeries, in-patient and out-patient care at a premium of Rs. 120-180 per person per annum. The product is being replicated in Manipal. Similarly, the weather insurance product has also been successfully adopted by various states in India. We are now in the process of designing a weather insurance product for the landless poor to cover loss of work due to adverse weather conditions.

## PUBLIC RECOGNITION

During fiscal 2005, we received several prestigious awards in recognition of our business strategies, customer service levels and technology focus, including:

- "Best Bank in India" by Euromoney.
- "Best Retail Bank in India" by Asian Banker.
- "India's Most Customer Friendly Bank" by Outlook Money.
- "Best Bank" by Business India.
- "Best Domestic Commercial Bank" in India by Asiamoney.
- "Best Bank of the Year in India" by Finance Asia.

## FINANCIALS AS PER INDIAN GAAP

### Summary

ICICI Bank's core operating profit (profit before treasury gains, provisions and tax) increased 92.5% to Rs. 22.45 billion in fiscal 2005 from Rs. 11.66 billion in fiscal 2004, due to a 42.9% increase in net interest income to Rs. 28.39 billion and a 78.6% increase in fee income to Rs. 20.98 billion, offset, in part, by a 25.9% increase in operating expenses to Rs. 25.17 billion. Treasury gains declined 45.9% in fiscal 2005 to Rs. 7.11 billion from Rs. 13.14 billion in fiscal 2004 as the fixed income market conditions were adverse during the year. The yield on 10-year Government securities increased by about 150 basis points during fiscal 2005 compared to the decline of approximately 105 basis points during fiscal 2004. As a result of the decline in treasury gains offsetting, in part, the increase in core operating profit, the operating profit before provisions and tax increased by 19.1% to Rs. 29.56 billion in fiscal 2005 from Rs. 24.81 billion in fiscal 2004. The profit before tax increased 32.9% to Rs. 25.27 billion in fiscal 2005 from Rs. 19.02 billion in fiscal 2004. After taking into account the increase in effective tax rate to 20.7% in fiscal 2005 from 13.9% in fiscal 2004, profit after tax increased 22.5% to Rs. 20.05 billion in fiscal 2005 from Rs. 16.37 billion in fiscal 2004.

In April 2004, ICICI Bank raised additional equity capital of Rs. 32.46 billion (which was equivalent to 40.5% of the net worth at March 31, 2004) at a price of Rs. 280 per share. As a result of the increase in capital during the year, return on average equity declined to 17.9% in fiscal 2005 from 21.8% in fiscal 2004. Return on average assets for fiscal 2005 was 1.4%, the same as in fiscal 2004.

Total assets increased 33.9% to Rs. 1,676.59 billion at March 31, 2005 from Rs. 1,252.29 billion at March 31, 2004 with advances increasing 45.9% to Rs. 914.05 billion and investments increasing 16.2% to Rs. 504.87 billion. Reflecting ICICI Bank's strategy of growth in its retail portfolio, retail advances increased 67.9% to Rs. 561.34 billion at March 31, 2005, constituting 61.4% of total advances compared to 53.4% at March 31, 2004. Deposits increased 46.6% to Rs. 998.19 billion at March 31, 2005, constituting 70.5% of the total funding compared to 63.1% at March 31, 2004.

### Operating results data

The following table sets forth, for the periods indicated, the operating results data.

**Rs. in billion, except percentages**

| | Fiscal 2004 | Fiscal 2005 | % change |
|---|---|---|---|
| Interest income | 90.02 | **94.10** | 4.5 |
| Interest expense | 70.15 | **65.71** | (6.3) |
| Net interest income | 19.87 | **28.39** | 42.9 |
| Non-interest income | 17.51 | **27.05** | 54.4 |
| - Fee income (1) | 11.75 | **20.98** | 78.6 |
| - Lease income | 4.22 | **4.01** | (5.0) |
| - Others | 1.54 | **2.06** | 33.8 |
| **Core operating income** | **37.38** | **55.44** | **48.3** |
| Operating expense | 19.99 | **25.17** | 25.9 |
| Direct marketing agency (DMA) expense (3) | 2.94 | **4.85** | 65.0 |
| Lease depreciation | 2.79 | **2.97** | 6.5 |
| **Core operating profit** | **11.66** | **22.45** | **92.5** |
| Treasury income (2) | 13.14 | **7.11** | (45.9) |
| Provisions, net of write-backs | 5.79 | **4.29** | (25.9) |
| **Profit before tax** | **19.02** | **25.27** | **32.9** |
| Tax, net of deferred tax | 2.65 | **5.22** | 97.0 |
| **Profit after tax** | **16.37** | **20.05** | **22.5** |

(1) Includes merchant foreign exchange income.
(2) Excludes merchant foreign exchange income.
(3) Other than on auto loans, which is reduced from the interest income.
(4) All amounts have been rounded off to the nearest Rs. 10.0 million.

### Key ratios

The following table sets forth, for the periods indicated, the key ratios.

| | Fiscal 2004 | Fiscal 2005 |
|---|---|---|
| Return on equity (%) | 21.8 | **17.9** |
| Return on assets (%) (1) | 1.4 | **1.4** |
| Earnings per share (Rs.) | 26.7 | **27.6** |
| Book value (Rs.) | 127.3 | **168.6** |
| Fee to income (%) | 24.6 | **35.2** |
| Cost to income (%) (2) | 41.9 | **42.2** |

(1) Return on assets is based on average daily assets.
(2) Cost includes operating expense excluding DMA expense and lease depreciation. Total income includes net interest income and non-interest income and is net of lease depreciation.

### Net interest income and spread analysis

The following table sets forth, for the periods indicated, the net interest income and spread analysis.

**Rs. in billion, except percentages**

| | Fiscal 2004 | Fiscal 2005 | % change |
|---|---|---|---|
| Average interest-earning assets | 979.69 | **1,153.24** | 17.7 |
| Average interest-bearing liabilities | 989.66 | **1,138.25** | 15.0 |
| Net interest margin (1) | 1.9% | **2.4%** | - |
| Average yield (1) | 9.1% | **8.1%** | - |
| Average cost of funds | 7.1% | **5.8%** | - |
| Spread (1) | 2.0% | **2.3%** | - |

(1) Excludes dividend income.
(2) All amounts have been rounded off to the nearest Rs. 10.0 million.

Net interest income increased 42.9% to Rs. 28.39 billion in fiscal 2005 from Rs. 19.87 billion in fiscal 2004, reflecting mainly the following:

- an increase of Rs. 173.55 billion or 17.7% in the average volume of interest-earning assets; and
- an increase in the net interest margin to 2.4% in fiscal 2005 from 1.9% in fiscal 2004.

ICICI Bank's spread is lower than that of other Indian banks due to the high-cost liabilities of erstwhile ICICI Limited (ICICI) and the maintenance of Statutory Liquidity Ratio (SLR) and Cash Reserve Ratio (CRR) on these liabilities, which were not subject to these ratios prior to the merger. While ICICI Bank's cost of deposits (4.5% in fiscal 2005) is comparable to the cost of deposits of other banks in India, ICICI Bank's total cost of funding (5.8% in fiscal 2005) is higher compared to other banks as a result of these high-cost liabilities. Further, ICICI Bank has to maintain SLR and CRR on these liabilities, resulting in a negative impact on the spread.

The average volume of interest-earning assets increased by Rs. 173.55 billion during fiscal 2005 primarily due to the increase in average advances by Rs. 152.75 billion, and increase in average investments and other interest-earning assets by Rs. 20.80 billion. The increase in the average advances was mainly due to increased disbursements of retail finance loans as well as increase in the loan portfolio of overseas branches, offset, in part, by securitisation of loans and repayment of existing loans. Retail advances increased by 67.9% to Rs. 561.34 billion at March 31, 2005 from Rs. 334.24 billion at March 31, 2004.

Total interest income (excluding dividend) increased 4.8% to Rs. 93.29 billion in fiscal 2005 from Rs. 89.03 billion in fiscal 2004 primarily due to an increase of 17.7% in the average interest-earning assets to Rs. 1,153.24 billion, offset, in part, by a decline of 1.0% in yield on interest-earning assets. Yield on average interest-earning assets decreased to 8.1% in fiscal 2005 from 9.1% in fiscal 2004 primarily due to origination of new loans at lower rates given the reduction in our average cost of funding, and reduction in higher-yield loans made in earlier periods. Interest income is net of commissions paid to direct market agents for automobile loans. While the yield on average advances declined 1.3% to 9.4% in fiscal 2005, the yield on average investments declined 1.0% to 6.4% in fiscal 2005.

Total interest expense decreased 6.3% to Rs. 65.71 billion in fiscal 2005 from Rs. 70.15 billion in fiscal 2004, primarily due to a decline of 1.3% in the cost of funds offset, in part, by a 15.0% increase in average interest-bearing liabilities to Rs. 1,138.25 billion. Cost of funds decreased to 5.8% for fiscal 2005 from 7.1% for fiscal 2004 primarily due to the increased proportion of deposits in ICICI Bank's funding on account of repayments of higher cost borrowings of ICICI as well as a reduction in the cost of deposits to 4.5% from 5.4%. Total deposits at March 31, 2005 constituted 70.5% of ICICI Bank's funding (comprising deposits, borrowings and subordinated debts) compared to 63.1% at March 31, 2004.

As a result of the 1.3% decline in the cost of funds, offset, in part by a 1.0% decline in yield on average interest-earning assets, net interest margin increased to 2.4% for fiscal 2005 from 1.9% for fiscal 2004. Net interest margin is, however, expected to continue to be lower than other banks in India until the borrowings of ICICI are repaid. The net interest margin is also impacted by the relatively lower net interest margin earned by overseas branches, which is offset by the higher fee income that the Bank is able to earn by leveraging its international presence and its ability to meet the foreign currency borrowing requirements of Indian companies.

**Fee income**

Fee income increased by 78.6% to Rs. 20.98 billion in fiscal 2005 from Rs. 11.75 billion in fiscal 2004 primarily due to growth in fee income from retail products and services, including fees arising from retail asset products like home loans and credit cards and retail liability-related income like account servicing charges, and an increase in transaction banking fee income from corporate clients. During fiscal 2005, retail banking operations contributed about 54.8% of total fee income, corporate banking operations contributed 38.1% and international operations contributed the balance 7.1%. Fee income includes merchant foreign exchange income amounting to Rs. 1.77 billion in fiscal 2005 and Rs. 0.90 billion in fiscal 2004.

**Lease & other income**

Lease income (including profit/ (loss) on sale of leased assets) decreased by 5.0% to Rs. 4.01 billion in fiscal 2005 from Rs. 4.22 billion in fiscal 2004 mainly due to a reduction in lease assets since ICICI Bank is not entering into new lease transactions. ICICI Bank's total lease assets were Rs. 14.53 billion at March 31, 2005 compared to Rs. 16.63 billion at March 31, 2004. Other income increased by 33.8% to Rs. 2.06 billion for fiscal 2005 compared to Rs. 1.54 billion for fiscal 2004, primarily due to higher dividend income from subsidiaries.

### Non-interest expense

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

**Rs. in billion, except percentages**

| | Fiscal 2004 | Fiscal 2005 | % change |
|---|---|---|---|
| Employee expenses | 5.46 | **7.37** | 35.0 |
| Depreciation | 2.61 | **2.93** | 12.3 |
| Rent, taxes & lighting | 1.49 | **1.85** | 24.2 |
| Printing & stationery | 0.86 | **0.88** | 2.3 |
| Postage & courier | 1.42 | **1.74** | 22.5 |
| Repairs & maintenance | 1.90 | **2.16** | 13.7 |
| Insurance | 0.33 | **0.60** | 81.8 |
| Bank charges | 0.25 | **0.29** | 16.0 |
| Others | 5.67 | **7.35** | 29.6 |
| **Total non-interest expense (excluding lease depreciation and direct marketing agency expenses)** | **19.99** | **25.17** | **25.9** |
| Depreciation (including lease equalization) on leased assets | 2.79 | **2.97** | 6.5 |
| Direct marketing agency expenses | 2.94 | **4.85** | 65.0 |
| **Total non-interest expense** | **25.71** | **32.99** | **28.3** |

(1) All amounts have been rounded off to the nearest Rs. 10.0 million.

Non-interest expense (excluding direct marketing agency expense and lease depreciation) increased by 25.9% for fiscal 2005 to Rs. 25.17 billion from Rs. 19.99 billion for fiscal 2004 primarily due to 35.0% increase in employee expenses and 22.5% increase in other administrative expenses.

Employee expenses increased 35.0% to Rs. 7.37 billion in fiscal 2005 from Rs. 5.46 billion in fiscal 2004 primarily due to a 32.5% increase in the number of employees to 18,029 at March 31, 2005 from 13,609 at March 31, 2004. The increase in number of employees was commensurate with the growth in ICICI Bank's retail operations.

Depreciation on own property increased by 12.3% to Rs. 2.93 billion from Rs. 2.61 billion primarily due to additions to premises of Rs. 2.25 billion and other fixed assets of Rs. 2.83 billion during fiscal 2005.

Other operating expenses increased primarily due to the increased volume of business, particularly in retail banking and includes maintenance of ATMs, credit card expenses, call centre expenses and technology expenses. The volume of credit cards issued increased to about 3.3 million at March 31, 2005 from about 2.2 million at March 31, 2004. The number of branches and extension counters increased to 562 at March 31, 2005 from 469 at March 31, 2004. The new branches were largely set up in the last quarter of the financial year and the full impact on operating expense will be reflected in fiscal 2006. ATMs increased to 1,910 at March 31, 2005 from 1,790 at March 31, 2004.

ICICI Bank uses marketing agents, called direct marketing agents or associates, for sourcing retail assets. The commissions paid to these agents are expensed upfront and not amortised over the life of the loan. These commissions are included in non-interest expense (other than commissions in respect of automobile loans, which are reduced from the interest income). ICICI Bank incurred direct marketing agency expenses of Rs. 4.85 billion on the retail asset portfolio (other than automobile loans) in fiscal 2005 compared to Rs. 2.94 billion in fiscal 2004, with the increase being commensurate with growth in business volumes.

**Treasury income**

Total income from treasury-related activities decreased 45.9% to Rs. 7.11 billion in fiscal 2005 from Rs. 13.14 billion in fiscal 2004 primarily due to the adverse conditions in the fixed income markets. Capital gains from proprietary trading and the government securities portfolio were adversely affected by the increase in interest rates during the year. The yield on 10-year benchmark government securities had increased from 5.16% at March 31, 2004 to a high of 7.30% at November 8, 2004 and was 6.66% at March 31, 2005, an increase of 150 basis points over the March 31, 2004 level. Capital gains on shares was Rs. 4.61 billion for fiscal 2005 compared to Rs. 3.97 billion for fiscal 2004, as ICICI Bank continued to capitalise on the opportunities created by the buoyant equity markets. These shares were acquired primarily at the time of the initial project finance assistance as well as on conversion of loans into shares as a part of restructuring of debt.

During fiscal 2005, the Bank transferred Statutory Liquidity Ratio (SLR) investments amounting to Rs. 213.49 billion from the "Available For Sale" (AFS) category to the "Held To Maturity" (HTM) category pursuant to Reserve Bank of India's circular DBOD. No. BP.BC.37/21.04.141/2004-05 dated September 2, 2004. As required by the above circular, a provision of Rs. 1.83 billion being the difference between the book value of each investment and the lower of its acquisition cost and market value was made. Subsequent to the transfer, the Bank's SLR portfolio is predominantly categorized as HTM thereby insulating the income statement from negative mark-to-market impact on this portfolio in the event of adverse movement in interest rates.

**Provisions & tax**

Provisions decreased 25.9% to Rs. 4.29 billion in fiscal 2005 from Rs. 5.79 billion in fiscal 2004, due to a higher level of write-backs. Income tax increased 97.0% to Rs. 5.22 billion in fiscal 2005 from Rs. 2.65 billion in fiscal 2004 as the effective income tax rate increased to 20.7% in fiscal 2005 from 13.9% in fiscal 2004. The lower effective tax rate in earlier years was due to the deferred tax benefit on utilisation of fair value provisions created at the time of the amalgamation of ICICI with ICICI Bank. The effective income tax rate continued to be lower than the statutory rates for fiscal 2005 primarily due to exempt interest and dividend income and the charging of certain income at rates other than the statutory rate, offset in part, by the disallowance of certain expenses for tax purposes.

**Financial condition**

The following table sets forth, for the periods indicated, the summarised balance sheet of ICICI Bank.

**Rs. in billion, except percentages**

| | March 31, 2004 | March 31, 2005 | % change |
|---|---|---|---|
| **Assets:** | | | |
| Cash, balances with banks & government securities | 383.89 | **474.12** | 23.5 |
| - Cash & balances with RBI & banks | 84.71 | **129.30** | 52.6 |
| - Government securities | 299.18 | **344.82** | 15.3 |
| Advances | 626.48 | **914.05** | 45.9 |
| Debentures & bonds | 55.49 | **28.54** | (48.6) |
| Other investments | 79.69 | **131.52** | 65.0 |
| Fixed assets | 40.56 | **40.38** | (0.4) |
| Other assets | 66.19 | **87.99** | 32.9 |
| **Total assets** | **1,252.29** | **1,676.59** | **33.9** |
| **Liabilities :** | | | |
| Equity capital and reserves | 80.10 | **125.50** | 56.7 |
| - Equity capital | 6.16 | **7.37** | 19.6 |
| - Reserves | 73.94 | **118.13** | 59.8 |
| Preference capital | 3.50 | **3.50** | - |
| Deposits | 681.09 | **998.19** | 46.6 |
| - Savings deposits | 83.72 | **113.92** | 36.1 |
| - Current deposits | 72.59 | **128.37** | 76.8 |
| - Term deposits | 524.78 | **755.90** | 44.0 |
| Borrowings | 398.46 | **417.53** | 4.8 |
| *Of which : Subordinated debt*[1] | *91.06* | ***82.09*** | *(9.9)* |
| - Erstwhile ICICI borrowings | 283.52 | **193.48** | (31.8) |
| - Other borrowings | 114.94 | **224.05** | 94.9 |
| Other liabilities | 89.15 | **131.87** | 47.9 |
| **Total liabilities** | **1,252.29** | **1,676.59** | **33.9** |

(1) Included in 'other liabilities' in Schedule 5 of the balance sheet.
(2) All amounts have been rounded off to the nearest Rs. 10.0 million.

ICICI Bank's total assets increased 33.9% to Rs. 1,676.59 billion at March 31, 2005 from Rs. 1,252.29 billion at March 31, 2004. Net advances increased 45.9% to Rs. 914.05 billion at March 31, 2005 from Rs. 626.48 billion at March 31, 2004 primarily due to increase in retail advances in accordance with ICICI Bank's strategy of growth in its retail asset portfolio and the growth in the loan portfolio of overseas branches, offset, in part by a reduction in advances due to repayments and securitisation. Retail assets increased 67.9% to Rs. 561.34 billion at March 31, 2005 from Rs. 334.24 billion at March 31, 2004. Total investments at March 31, 2005 increased 16.2% to Rs. 504.87 billion from Rs. 434.36 billion at March 31, 2004. SLR investments at March 31, 2005 increased 15.3% to Rs. 344.82 billion from Rs. 299.18 billion at March 31, 2004, in line with the growth in the balance sheet. Other investments (including debentures and bonds) at March 31, 2005 increased 18.4% to Rs. 160.06 billion from Rs. 135.18 billion at March 31, 2004, reflecting increase in investments in insurance and international subsidiaries and investment in security receipts issued by Asset Reconstruction Company (India) Limited.

ICICI Bank's net worth at March 31, 2005 increased to Rs. 124.23 billion (net of unamortised early retirement option expenses of Rs. 1.27 billion) from Rs. 78.45 billion at March 31, 2004 as a result of the equity capital of Rs. 32.46 billion raised during the year and the retained profit for the year. Total deposits increased 46.6% to Rs. 998.19 billion at March 31, 2005 from Rs. 681.09 billion at March 31, 2004. ICICI Bank's savings account deposits increased 36.1% to Rs. 113.92 billion at March 31, 2005 from Rs. 83.72 billion at March 31, 2004, while current account deposits increased 76.8% to Rs. 128.37 billion at March 31, 2005 from Rs. 72.59 billion at March 31, 2004. Term deposits increased by 44.0% to Rs. 755.90 billion at March 31, 2005 from Rs. 524.78 billion at March 31, 2004. Of the term deposits, value-added savings and current account deposits totaled about Rs. 114.45 billion at March 31, 2005 compared to about Rs. 100.42 billion at March 31, 2004. Total deposits at March 31, 2005 constituted 70.5% of total funding (i.e. deposit, borrowings and subordinated debts) compared to 63.1% at March 31, 2004.

**Capital adequacy**

**Rs. in billion, except percentages**

| | March 31, 2004 | | March 31, 2005 | |
|---|---|---|---|---|
| | **Amount** | **% of Risk-weighted assets** | **Amount** | **% of Risk-weighted assets** |
| Tier I capital | 55.25 | 6.09 | **102.46** | **7.59** |
| Tier II capital | 38.76 | 4.27 | **56.57** | **4.19** |
| Total capital | 94.01 | 10.36 | **159.03** | **11.78** |
| Risk-weighted assets | 907.34 | | **1,350.17** | |

ICICI's Bank's total capital adequacy at March 31, 2005 was 11.78%, comprising Tier-I capital adequacy of 7.59% and Tier-II capital adequacy of 4.19%. In accordance with RBI guidelines issued in fiscal 2005, a risk weight of 75% has been assigned to home loans to individuals and 125% to other retail loans at March 31, 2005, compared to 50% and 100% respectively at March 31, 2004. This had a negative impact of 104 basis points on the total capital adequacy at March 31, 2005. The risk- weighted assets at March 31, 2005 also include the impact of capital for market risk on the "Held for Trading" (HFT) portfolio. The Investment Fluctuation Reserve at March 31, 2005 was Rs. 5.16 billion, which was 5% of the fixed income investment portfolio (excluding Held-to-Maturity category). In line with RBI guidelines, Investment Fluctuation Reserve is considered in Tier-II capital, and not in Tier-I capital. Deferred tax asset of Rs. 0.15 billion has also been reduced from Tier-I capital in compliance with the RBI guidelines. In accordance with RBI guidelines, Tier-I capital includes Rs. 1.55 billion out of the face value of Rs. 3.50 billion of 20 year non-cumulative preference shares issued to ITC Limited as a part of the scheme for merger of ITC Classic Finance Limited with ICICI.

## CONSOLIDATED ACCOUNTS

The consolidated profit after tax for fiscal 2005 was Rs. 18.52 billion including the results of operations of ICICI Bank's subsidiaries and other consolidating entities. Future bonus provisions and non-amortisation of expenses by ICICI Prudential Life Insurance Company in line with insurance company accounting norms had a negative impact of Rs. 1.57 billion on the Bank's consolidated profits. Life insurance companies worldwide require five to seven years to achieve break-even, in view of the business set-up and customer acquisition costs in the initial years as well as reserving for actuarial liability. The deficit in the initial years is usually higher for faster growing companies; the profit streams, after break-even is achieved, are expected to be correspondingly higher.

The following table sets forth, for the periods indicated, the profit/(loss) of the principal subsidiaries of ICICI Bank.

Rs. in billion

| | FY2004 | FY2005 |
|---|---|---|
| ICICI Securities Limited | 1.65 | **0.64** |
| ICICI Prudential Life Insurance Company Limited | (2.22) | **(2.12)** |
| ICICI Lombard General Insurance Company Limited | 0.32 | **0.48** |
| ICICI Venture Funds Management Company Limited | 0.26 | **0.32** |
| ICICI Home Finance Company Limited | 0.10 | **0.10** |

## RECONCILIATION OF PROFITS AS PER INDIAN GAAP AND US GAAP

There are significant differences in the basis of accounting between US GAAP and Indian GAAP. In the merger of ICICI with ICICI Bank, the Bank was the legal acquirer. Under Indian GAAP, the Bank is the accounting acquirer. Under US GAAP, ICICI is deemed to have acquired ICICI Bank. Therefore, the financial statements under US GAAP and Indian GAAP for the Bank are not comparable and these differences are expected to continue in future years. ICICI's assets were fair valued while accounting for the merger under Indian GAAP. The primary impact of the fair valuation was the creation of additional provisions against ICICI's loan and investment portfolio, reflected in the Indian GAAP balance sheet at March 31, 2002. Under US GAAP, ICICI Bank's assets were fair valued while accounting for the merger. There is also a difference in the basis of computation of provision for restructured loans under US GAAP, which discounts expected cash flows at contracted interest rates, unlike Indian GAAP, under which current interest rates are used.

Net income as per US GAAP increased 63.4% to Rs. 8.53 billion in fiscal 2005 from Rs. 5.22 billion in fiscal 2004 primarily due to a 27.2% increase in net interest income to Rs. 23.85 billion and a 74.2% increase in fee income, offset, in part, by a 22.1% increase in operating expenses.

As a result of the significant differences in the basis of accounting under US GAAP and Indian GAAP, the Bank's US GAAP accounts showed a profit of Rs. 8.53 billion as compared to Rs. 18.52 billion under Indian GAAP in fiscal 2005.

The following table sets out a condensed unaudited reconciliation of consolidated profit after tax as per Indian GAAP with net income as per US GAAP for fiscal 2005.

Rs. in billion

| | |
|---|---|
| **Audited consolidated profit after tax as per Indian GAAP** | **18.52** |
| **Adjustments** (1)**:** | |
| Higher provision for restructured loans | (10.61) |
| Other higher provisions under US GAAP | (4.06) |
| Amortisation of debt issue cost and intangible assets | (0.83) |
| Unamortised loan origination cost written off on sale of assets | (0.62) |
| Deferred tax benefit | 4.04 |
| Net impact of fee and expense amortisation | 2.67 |
| Other adjustments | (0.58) |
| **Audited net income as per US GAAP** | **8.53** |

(1) Certain items have been aggregated/ combined as considered appropriate.
(2) All amounts have been rounded off to the nearest Rs. 10.0 million.

## ASSET QUALITY AND COMPOSITION

### Loan Portfolio

ICICI Bank follows a strategy of building a diversified and de-risked asset portfolio and limiting or correcting concentrations in particular sectors. ICICI Bank limits its exposure to any particular industry to 12.0% of its total exposure.

The following table sets forth, at the dates indicated, the composition of ICICI Bank's loans and advances:

**Rs. in billion, except percentages**

| | March 31, 2004 | | March 31, 2005 | |
|---|---|---|---|---|
| | Loans and advances [1] | % of total | Loans and advances [1] | % of total |
| Retail loans[2] | 335.26 | 51.5 | **566.52** | **60.9** |
| Iron & steel | 49.30 | 7.6 | **47.43** | **5.1** |
| Crude petroleum & refining | 19.70 | 3.0 | **43.67** | **4.7** |
| Roads, ports, railways and telecommunications | 21.89 | 3.4 | **30.77** | **3.3** |
| Services | 23.82 | 3.6 | **29.49** | **3.2** |
| Chemicals | 33.36 | 5.1 | **28.03** | **3.0** |
| Power | 23.19 | 3.6 | **17.75** | **1.9** |
| Metal & metal products | 15.59 | 2.4 | **17.43** | **1.9** |
| Engineering | 24.00 | 3.7 | **17.17** | **1.8** |
| Cotton Textiles | 11.73 | 1.8 | **11.33** | **1.2** |
| Cement | 12.14 | 1.9 | **10.08** | **1.1** |
| Shipping | 3.79 | 0.6 | **8.73** | **1.0** |
| Automobiles | 8.98 | 1.4 | **7.33** | **0.8** |
| Food processing | 1.17 | 0.2 | **6.81** | **0.7** |
| Paper & paper products | 6.85 | 1.1 | **5.43** | **0.6** |
| Sugar | 5.58 | 0.9 | **4.54** | **0.5** |
| Other textiles | 4.71 | 0.8 | **4.21** | **0.5** |
| Gems & jewellery | 1.27 | 0.2 | **2.66** | **0.3** |
| Non-banking finance companies | 3.74 | 0.5 | **2.06** | **0.2** |
| Tea | 1.97 | 0.3 | **2.05** | **0.2** |
| Construction | 2.05 | 0.3 | **1.46** | **0.2** |
| Leather & leather products | 0.16 | 0.0 | **1.36** | **0.1** |
| Other Industries | 38.62 | 6.1 | **64.14** | **6.8** |
| **Total** | **648.87** | **100.0** | **930.45** | **100.0** |

(1) Amount is net of write-offs and gross of provisions.
(2) Includes home loans, automobile loans, commercial business loans, two-wheeler loans, personal loans, credit cards & others.
(3) All amounts have been rounded off to the nearest Rs. 10.0 million.

The following table sets forth, at March 31, 2005, the composition of ICICI Bank's retail finance loans.

**Rs. in billion, except percentages**

| | Loans and advances [1] | % of total |
|---|---|---|
| Home loans | 284.76 | **50.3** |
| Automobile loans | 121.15 | **21.4** |
| Commercial business (including commercial vehicle, construction equipment & farm equipment loans) | 78.20 | **13.8** |
| Personal loans | 24.95 | **4.4** |
| Credit card receivables | 20.64 | **3.6** |
| Loans against securities | 17.02 | **3.0** |
| Two-wheeler loans | 12.42 | **2.2** |
| Others | 7.38 | **1.3** |
| **Total** | **566.52** | **100.0** |

(1) Amount is net of write-offs and gross of provisions.

At March 31, 2005, the three largest industries to which the Bank had given loans were iron & steel (5.1%), crude petroleum & refining (4.7%) and roads, ports, railways and telecommunications (3.3%).

As per applicable RBI guidelines, the exposure ceiling for a single borrower is 15.0% of total capital funds and for a group of borrowers is 40.0% of total capital funds. However, in the case of financing for infrastructure projects, the limit for a single borrower may be extended to 20.0% of total capital funds and for a group may be extended to 50.0% of total capital funds. Banks may, with the approval of their Boards, enhance the exposure to a borrower up to a further 5% of total capital funds, subject to certain disclosure requirements. Total capital funds comprise Tier-I and Tier-II capital as defined for determining capital adequacy.

The largest borrower at March 31, 2005 accounted for approximately 1.5% of ICICI Bank's total exposure and 19.5% of ICICI Bank's total capital funds. The largest borrower group at March 31, 2005 accounted for approximately 2.3% of ICICI Bank's total exposure and 30.6% of ICICI Bank's total capital funds.

**Directed lending**

In its letter dated April 26, 2002 granting its approval for the merger, RBI had stipulated that since ICICI's advances transferred to the Bank were not subject to the priority sector lending requirement, the Bank was required to maintain priority sector lending of 50.0% of the Bank's net bank credit on the residual portion of its advances (i.e. the portion of its total advances excluding advances of ICICI at year-end fiscal 2002, henceforth referred to as residual net bank credit). This additional 10.0% priority sector lending requirement will apply until such time the bank's aggregate priority sector advances reach a level of 40.0% of its total net bank credit. RBI's existing instructions on sub-targets under priority sector lending and eligibility of certain types of investments/ funds for qualification as priority sector advances apply to the Bank.

At March 18, 2005, which was the last reporting Friday for fiscal 2005, the Bank's priority sector loans were Rs. 191.07 billion, constituting 54.5% of its residual net bank credit against the requirement of 50.0%. Of the total priority sector loans, the Bank's agri-lending portfolio was Rs. 67.63 billion at March 18, 2005 compared to Rs. 42.06 billion at March 19, 2004, a growth of 60.8%. This represents 19.3% of the Bank's residual net bank credit comprising 13.1% direct agri-lending and 6.2% indirect agri-lending.

### Classification of loan assets

All loans are classified as per RBI guidelines into performing and non-performing loans. Under these guidelines, effective year-end fiscal 2004, a term loan is classified as non-performing if any amount of interest or principal remains overdue for more than 90 days (as against the period of 180 days stipulated earlier). Similarly, an overdraft or cash credit facility is classified as non-performing if the account remains out of order for a period of 90 days and a bill is classified as non-performing if the account remains overdue for more than 90 days. Further, non-performing assets are classified into sub-standard, doubtful and loss assets.

The Bank does not distinguish between provisions and write-offs while assessing the adequacy of the Bank's loan loss coverage, as both provisions and write-offs represent a reduction of the principal amount of a non-performing asset. In compliance with regulations governing the presentation of financial information by banks, the Bank reports non-performing assets net of cumulative write-offs in its financial statements.

The following table sets forth classification of net customer assets (net of write-offs and provisions) of ICICI Bank at March 31, 2004 and at March 31, 2005.

Rs. billion

| | March 31, 2004 | March 31, 2005 |
|---|---|---|
| Standard assets | 689.65 | **959.11** |
| Of which: restructured standard assets | 66.29 | **62.63** |
| Non-performing assets | 20.37 | **19.83** |
| Of which: Loss assets [1] | - | **-** |
| Doubtful assets | 13.22 | **13.70** |
| Sub-standard assets | 8.62 | **6.13** |
| Less: General provision on non-performing assets | (1.47) | **-** |
| Net customer assets | 710.02 | **978.94** |

(1) All loss assets have been written off or provided for.
(2) All amounts have been rounded off to the nearest Rs. 10.0 million.

The following table sets forth, for the dates indicated, data regarding the non-performing assets.

Rs. billion

| | Gross NPA[1] | Net NPA | Net customer assets | % of Net NPA to net customer assets |
|---|---|---|---|---|
| March 31, 2003 | 58.39 | 31.51 | 640.51 | **4.9** |
| March 31, 2004 | 40.14 | 20.37 | 710.02 | **2.9** |
| March 31, 2005 | 34.32 | 19.83 | 978.94 | **2.0** |

(1) Net of write-offs, interest suspense and claims received from ECGC/ DICGC.
(2) All amounts have been rounded off to the nearest Rs. 10.0 million.

The ratio of net non-performing assets to net customer assets decreased to 2.0% at March 31, 2005 from 2.9% at March 31, 2004. At March 31, 2005, the gross non-performing assets (net of write-offs) were Rs. 34.32 billion compared to Rs. 40.14 billion at March 31, 2004. Including technical write-offs, the gross non-performing loans at March 31, 2005 were Rs. 51.40 billion compared to Rs. 67.15 billion at March 31, 2004. The coverage ratio (i.e. total provisions and write-offs against non-performing assets as a percentage of gross non-performing assets) at March 31, 2005 was 61.4%. The Bank's investments in security receipts issued by Asset Reconstruction Company (India) Limited, a reconstruction company registered with RBI, was Rs. 21.08 billion at March 31, 2005.

### Classification of Non-Performing Assets by Industry

The following table sets forth the classification of gross non-performing assets (net of write-offs) by industry sector at March 31, 2004 and March 31, 2005:

**Rs. in billion, except percentages**

| | March 31, 2004 | | March 31, 2005 | |
|---|---|---|---|---|
| | **Amount** | **% of total** | **Amount** | **% of total** |
| Power | 6.20 | 15.3 | **7.37** | **21.3** |
| Chemicals | 7.47 | 18.4 | **4.03** | **11.6** |
| Textiles | 4.38 | 10.8 | **3.24** | **9.4** |
| Other Infra- Telecom | 0.00 | 0.0 | **2.14** | **6.2** |
| Engineering | 2.44 | 6.0 | **1.42** | **4.1** |
| Electronics | 1.64 | 4.0 | **1.41** | **4.1** |
| Services - Finance | 0.87 | 2.1 | **0.77** | **2.2** |
| Food processing | 1.02 | 2.5 | **0.72** | **2.1** |
| Automobile (including trucks) | 0.68 | 1.7 | **0.68** | **2.0** |
| Iron & steel | 1.39 | 3.4 | **0.67** | **1.9** |
| Services - Others | 1.36 | 3.3 | **0.67** | **1.9** |
| Other metal & metal products | 1.49 | 3.7 | **0.38** | **1.1** |
| Paper & paper products | 1.54 | 3.8 | **0.35** | **1.0** |
| Rubber & rubber products | 0.37 | 0.9 | **0.33** | **0.9** |
| Agriculture | 0.22 | 0.5 | **0.27** | **0.8** |
| Ceramics, granites & related | 1.00 | 2.5 | **0.25** | **0.7** |
| Non-banking finance companies | 0.25 | 0.7 | **0.25** | **0.7** |
| Cement | 1.54 | 3.8 | **0.20** | **0.6** |
| Miscellaneous & others (1) | 6.75 | 16.6 | **9.46** | **27.4** |
| **Total of above** | **40.64** | **100.0** | **34.60** | **100.0** |
| Less: Interest Suspense | 0.50 | | **0.28** | |
| **Gross non-performing assets (Net of write-offs)** | **40.14** | | **34.32** | |

(1) Net non-performing assets in the retail portfolio at March 31, 2005 were 0.51 % of net retail assets.
(2) All amounts have been rounded off to the nearest Rs. 10.0 million.

**Statement pursuant to Section 217 (2A) of the Companies Act,1956 read with the Companies (Particulars of Employees) Rules ,1975 (forming part of the Directors' Report for the year ended March 31, 2005) in respect of employees of ICICI Bank Limited**

| Name, Qualifications and Age (in years) | Desig./ Nature of Duties*** | Remuneration received Gross (Rs.) | Remuneration received Net (Rs.) | Experience (in years) | Date of Commencement of Employment | Last Employment |
|---|---|---|---|---|---|---|
| Agarwal Alok, BE,PGDM, (37)* | DGM | 2229049 | 1603723 | 14 | 23-Apr-93 | Engineer,Reliance Industries Limited |
| Agarwal Arpit, B.Sc.,MFC, (37) | DGM | 2704074 | 1993367 | 14 | 14-Mar-02 | BNP Paribas |
| Aggarwal Smita(Ms.), B.Com,CA, (36)** | JGM | 3252488 | 2384375 | 14 | 06-Jun-91 | - |
| Arora Rajiv, BE,MBA, (38) | DGM | 3261359 | 2371065 | 16 | 23-Apr-93 | Project Officer, IFCI |
| Ashok Alladi, B.Sc., (54) | GM | 4420081 | 3283625 | 32 | 19-Feb-96 | Asst. General Manager, State Bank of India |
| Badami Suresh, B.Sc.,PGDM, (33) | DGM | 2564144 | 1863622 | 11 | 16-Oct-02 | Max Ateev Limited |
| Bagchi Anup, B.Tech,PGDM, (34) | GM | 3728637 | 2866759 | 13 | 26-May-92 | - |
| Bansal Satya, B.Com,CA,NCFM, (37) | DGM | 2767010 | 1993934 | 15 | 26-Apr-00 | Brescon Corporate Advisor |
| Batra Mohit, BE,MS, (39) | GM | 4001721 | 3051627 | 13 | 24-Apr-92 | - |
| Bengani Vikash, DBF,B.Com,CA,CFA, (31) | DGM | 6025774 | 4232053 | 9 | 16-Dec-96 | Citibank N.A. |
| Bhattacharjee Sriraj, BE,PGPM, (30) | MGR | 2803702 | 1931683 | 6 | 22-Aug-03 | Securities Trading Corporation |
| Bisht Subir, BE,MBA, (41) | DGM | 3003963 | 2284409 | 17 | 01-Dec-92 | Research Assistant, Pace University |
| Chakraborty Suvalaxmi (Ms.), B.Com,CA, (38) | GM | 4193489 | 3191591 | 17 | 01-Feb-89 | Junior Officer, Price Waterhouse |
| Chandok Vijay, B.Tech,MMS, (37) | GM | 4751528 | 3487692 | 14 | 31-May-93 | Production Executive, ITC Group - VST Industries |
| Chaudhry Ajay, BE,MBA, (48) | GM | 4362929 | 3202726 | 26 | 03-Dec-81 | Officer, HMV |
| Chougule Sanjay(Dr.), BE,MMS,LLB,Ph.D, (41) | JGM | 3303907 | 2472761 | 18 | 01-Jun-87 | Junior Engineer, RCF Limited |
| Daruwala Zarin(Ms.), B.Com,CA,CS, (40) | GM | 3803317 | 2772808 | 16 | 21-Jun-89 | - |
| Dasgupta Bhargav, BE,PGDM, (38) | SGM | 5804663 | 4332482 | 15 | 18-May-92 | Gr, Eng. Trianee, Telco |
| Datar Salil, B.Com,CAIIB,MMS, (38) | AGM | 2419163 | 1790115 | 16 | 09-May-02 | Head Exports, Schenectady Herdillia |
| Dhamodaran S., B.Sc.,CAIIB, (50) | JGM | 3447098 | 2531805 | 30 | 04-Apr-94 | Manager, State Bank of India |
| Dole Sudhir Balram, B.Com,CWA,PGDM, (35) | JGM | 3297832 | 2397521 | 13 | 16-Apr-03 | Standard Chartered Bank |
| Dutta Joydeep, BE,MS, (45) | DGM | 2409522 | 1816459 | 22 | 21-Apr-95 | Senior DB Analyst, Gartner |
| Gambhir Neeraj, BE,PGDM, (32) | JGM | 6860152 | 4729966 | 9 | 15-Jun-98 | Kotak Mahindra |
| Ghosh Abhijit , BE,MBA, (44) | AGM | 2403132 | 1829191 | 16 | 02-Jan-92 | Tega India Limited |
| Gopakumar P., B.Sc.,ICWAI,CAIIB, (41) | DGM | 2682171 | 1984863 | 20 | 17-Aug-01 | Standard Chartered Bank |
| Gopinath M. N., B.Com,MBA,CAIIB, (56) | SGM | 4833969 | 3530660 | 36 | 01-Jun-95 | Asst. General Manager, Bank of India |
| Gune Smita(Ms.), B.Com,CA,CIA, (46) | JGM | 3475284 | 2514347 | 21 | 12-Oct-98 | Asst. General Manager, Tata Finance |
| Gupta Ajay, B.Com,CA, (38) | JGM | 3008863 | 2302268 | 14 | 25-Nov-91 | Article Clerk, A.F. Ferguson Co. |
| Gupta Deviinder, BA,DBM,CAIIB, (46) | JGM | 2938171 | 2271086 | 23 | 23-Jul-96 | Indian Overseas Bank |
| Gupte D. Lalita(Ms.), BA(Hons),MMS, (56)+ | JMD | 11868324 | 8553068 | 34 | 15-Jun-71 | - |
| Jain Mukesh, B.Com,CAIIB,PGDBM,DBANKM, (45) | JGM | 4284690 | 3136015 | 25 | 29-Mar-94 | Officer,Canara Bank |
| Jayarao K.M., BE, (49) | GM | 5512471 | 3995078 | 25 | 22-Mar-82 | Junior Executive, BHEL, Hyderabad |
| Jha Rakesh, BE,PGDM,(33) | JGM | 3192656 | 2357673 | 9 | 03-Jun-96 | - |
| Juneja Maninder, BE,PGDM, (39) | JGM | 3840506 | 2780549 | 14 | 05-Apr-99 | Head Agency Business, DGP Windsor |
| Kamath K.V., BE,PGDBA, (57)+ | MD&CEO | 18340489 | 13034370 | 34 | 01-May-96 | Adviser to Chairman, Bakrie Group, Indonesia |
| Kannan N. S., BE,CFA,PGDM, (39) | CFO&TR | 7471791 | 5450164 | 17 | 02-May-91 | Executive, SRF Limited |
| Kanwar Vivek, BA(Hons),PGDBM, (41) | DGM | 2732381 | 2010450 | 19 | 30-May-94 | India Telecomp Limited |
| Kaul Anil, B.Sc.,MBA, (39) | DGM | 3644512 | 2680102 | 16 | 04-Jan-99 | Zonal Manager, Standard Chartered Bank |
| Kerkar Sanjiv, B.Tech,MFM, (54) | SGM | 6821831 | 5031216 | 30 | 26-Nov-96 | Director-Operations, Asian Finance & Investment |
| Khandelwal Sachin, BE,MBA, (38) | JGM | 3395418 | 2438368 | 13 | 10-Dec-99 | Honda Siel Cars |
| Khasnobis Sudhamoy, BE, (50)** | GM | 5102332 | 3814708 | 25 | 12-Jan-81 | Asst. Industrial Engineer, Hindustan Motors Limited |
| Khera Manish, BE,MBA, (35) | DGM | 2455198 | 1914738 | 11 | 03-May-93 | - |
| Kikani Kalpesh, BE,MBA,CFA, (32)* | DGM | 1437168 | 1025565 | 10 | 01-Jun-95 | - |
| Kishore S., ME,MBA, (39)** | DGM | 2891605 | 2173630 | 16 | 24-Feb-93 | Engineer Product Engineer, Lucas TVS Limited |
| Kochhar Chanda(Ms.), BA,MMS,ICWAI, (43)+ | ED | 7524007 | 5425106 | 21 | 17-Apr-84 | - |
| Kumar Shilpa(Ms.), B.Com,PGDM, (38) | JGM | 3260253 | 2359022 | 16 | 01-Jun-89 | - |
| Kusre Anand, M.Tech, (55) | GM | 4503264 | 3396725 | 32 | 04-Jan-80 | Officer, State Bank of Hyderabad |
| Madhivanan B., B.Sc.,PGDM, (35) | JGM | 3119250 | 2369446 | 14 | 16-Dec-99 | Arvind Mills Limited |
| Malhotra Sandeep, M.Tech, (39) | GM | 4517265 | 3315999 | 18 | 18-Nov-91 | Simens India Limited |
| Mehta Jyotin, B.Com,ICWA,CA,CS, (47) | GM&CS | 3446871 | 2580095 | 22 | 01-Mar-00 | Vice President - Finance & CS, Bharat Shell |
| Mhatre Sangeeta(Ms.), B.Com,CA, (41) | JGM | 3944642 | 2839118 | 19 | 12-Jun-89 | Junior Officer, Price Waterhouse |
| Mor Nachiket (Dr.), B.Sc.,PGDM,Ph.D., (41)+ | ED | 8673546 | 6273099 | 18 | 04-May-87 | - |
| Morparia Kalpana(Ms.), B.Sc.,LLB, (55)+ | DMD | 11758575 | 8338516 | 30 | 05-Nov-75 | Legal Assistant, Malubhai Jamiatram & Madon |
| Mukerji Neeta(Ms.), BA,PGDM, (39) | GM | 3978698 | 3046090 | 16 | 01-Jun-89 | - |
| Mulye Vishakha(Ms.), B.Com,CA, (36) | SGM | 5574405 | 4060875 | 12 | 01-Mar-93 | Officer, Deutsche Bank |
| Muralidharan R., B.Sc.,MA,CAIIB, (43) | JGM | 3072966 | 2320126 | 22 | 16-May-94 | Branch Manager, State Bank of India |
| Nachiappan V., B.Sc.,DBM,CAIIB,PGDBA, (51) | GM | 3441408 | 2540522 | 31 | 01-May-00 | General Manager, Bank of Madura Limited |

| Name, Qualifications and Age (in years) | Desig./ Nature of Duties*** | Remuneration received Gross (Rs.) | Net (Rs.) | Expe-rience (in years) | Date of Commence-ment of Employment | Last Employment |
|---|---|---|---|---|---|---|
| Narayanan Ravi, BE,PGDBM, (42) | DGM | 2883340 | 1992515 | 18 | 17-Apr-00 | Eicher Motors Limited |
| Nayak Girish , B.Tech,PGDM, (34) | DGM | 2810452 | 2058969 | 11 | 02-May-94 | Mastek Limited |
| Nirantar Rajendra, B.Com,DIRPM,CAIIB,BGL, (50) | GM | 4157042 | 3024581 | 30 | 23-May-94 | Manager, Union Bank of India |
| Nirula Ramni(Ms.), BA,MBA, (52) | SGM | 6970803 | 5067628 | 29 | 01-Dec-75 | - |
| Pal D. K., B.Com,ACA, (49) | JGM | 3056541 | 2283229 | 25 | 02-Mar-81 | State Bank of India |
| Pandey Keshav, B.Com,MDBA, (41) | AGM | 2479714 | 1921880 | 15 | 04-Oct-02 | Tata AIG Life Insurance |
| Patni Ashok Kumar, MA, (50) | DGM | 3964191 | 2867605 | 28 | 01-May-96 | State Bank of Bikaner & Jaipur |
| Pinge Nagesh, B.Com,BGL,ACA, (46) | SGM | 5921046 | 4242583 | 14 | 06-Apr-98 | Director, Anik Financial |
| Prakash V., M.Sc.,CAIIB,DBM,(42) | DGM | 2678568 | 1992640 | 20 | 26-Mar-97 | State Bank of India |
| Puri-Buch Madhabi(Ms.), BA(Hons), PGDM, DPR(UK)(39) | SGM | 6319671 | 4592292 | 13 | 02-Jan-97 | Research Director, MARG |
| Purker Prashant, B.Tech,PGDBM, (42) | JGM | 3868379 | 2727624 | 15 | 22-Jul-02 | IRIS Limited |
| Raji Verghese, B.Com,PGDBA, (39) | DGM | 2410888 | 1749781 | 13 | 08-Mar-99 | GE Capital TFS Limited |
| Ramakrishnan Murali, B.Tech,PGDM, (42) | DGM | 3051431 | 2274627 | 19 | 02-Aug-99 | GE Capital TFS Limited |
| Ramasubramanian Suresh, B.Com, PGDPMIR, (35) | DGM | 2565464 | 1925769 | 14 | 25-Apr-03 | Hewitt Associates |
| Ramesh G.V.S, B.Com,ACA, (41) | DGM | 2791101 | 2049043 | 18 | 29-Jun-92 | Wipro Systems |
| Ramkumar Krishnaswamy, B.Sc.,PGDPM & IR, (43) | SGM | 6487731 | 4692714 | 20 | 02-Jul-01 | General Manager (HR), ICI India Limited |
| Rao Pramod, BA,LLB, (31) | JGM | 2531780 | 1895929 | 9 | 01-Aug-96 | Mulla & Mulla |
| Ravikumar P.H., B.Com,CAIIB, (53)** | SGM | 6639611 | 4798482 | 33 | 15-Jul-94 | Chief Manager, Bank of India |
| Sabharwal Rajiv, B.Tech,PGDM, (39) | GM | 3970933 | 2911922 | 15 | 21-Dec-98 | Times Bank |
| Saraf Ajay, B.Com,ICWAI,ACA, (35) | JGM | 2976956 | 2225442 | 13 | 01-Jun-02 | American Express Bank Limited |
| Sarkar Debashis, B.Tech,PGDQM,PGDMFM,MS, (37) | AGM | 2523555 | 1863234 | 14 | 11-Jul-02 | Marico Industries |
| Sarma Rammohan , BE,PGDM, (28) | MGR | 5629243 | 3847202 | 5 | 14-May-01 | Telco |
| Satyaprasad Manikonda, B.Com,M.Com,CAIIB, (46) | DGM | 2838049 | 2041388 | 27 | 26-Dec-01 | Credit Lyonnaes Bank |
| Seetharaman M S, B.Com,M.Com,CAIIB, (47) | DGM | 2420094 | 1799723 | 27 | 31-Mar-95 | Canara Bank |
| Seshadri Vishwanath, B.Com,ACA, (43) | GM | 3919296 | 2892262 | 17 | 19-Aug-98 | Manager Finance, Countrywide |
| Sharma Sudershan , B.Com,CS,CA, (35) | DGM | 6596116 | 4563065 | 10 | 01-Jul-99 | IDBI |
| Singh Rajnish , BE,PGDM, (37) | DGM | 2612992 | 1846958 | 13 | 18-Apr-94 | Rashtriya Ispat Nigam Limited |
| Singh Saurabh, MA,MMS, (38) | DGM | 2993771 | 2132462 | 14 | 31-Dec-99 | Manager HRD, Tata Liebert |
| Srinivas G., B.Tech,PGDM, (37) | DGM | 2896868 | 2053271 | 14 | 08-Jun-93 | Management Trainee, IFCI |
| Srivastava Om Prakash, M.Sc.,CAIIB,PGDM, (50) | GM | 4595125 | 3354562 | 27 | 03-May-93 | Sr. Vice President, PNB Capital Services Limited |
| Swaminathan Balaji, B.Com,ICWAI,CA, (40) | SGM | 8908195 | 6443569 | 16 | 01-Aug-01 | Partner, KPMG India |
| Tikotekar Sanjay, B.Com,LLB,CAIIB,NCFM,AMFI, (46) | DGM | 2763946 | 2026021 | 27 | 01-Dec-94 | Bank of Maharashtra |
| Vaidyanathan V., B.Com, MBA, (37) | SGM | 6771508 | 4869496 | 15 | 06-Mar-00 | Citibank, N.A. |
| Vedasagar R., B.Sc.,BL, (52) | GM | 3382240 | 2488933 | 28 | 04-Jul-80 | Advocate |
| Venkatakrishnan G., M.Sc,ICWAI,PGDBM,CAIIB, (54) | GM | 4254388 | 3225980 | 30 | 15-Dec-97 | Officer SMV, State Bank of India |
| Vohra Pravir, MA,CAIIB, (50) | GM | 6065497 | 4441234 | 30 | 28-Jan-00 | Vice President, Times Bank |

* Indicates part of the year
** On secondment/deputation to other organisations
\+ Nature of employment contractual, other employees are in the permanent employment of the Bank, governed by its rules and conditions of service
*** Designation/Nature of Duties - Abbreviations

| | | | | | |
|---|---|---|---|---|---|
| MD&CEO | - Managing Director & Chief Executive Officer | JMD | - Joint Managing Director | DMD | - Deputy Managing Director |
| ED | - Executive Director | SGM | - Senior General Manager | CFO&TR | - Chief Financial Officer & Treasurer |
| GM | - General Manager | GM&CS | - General Manager & Company Secretary | JGM | - Joint General Manager |
| DGM | - Deputy General Manager | AGM | - Assistant General Manager | MGR | - Manager |

**Notes:**
1. Gross remuneration includes salary and other benefits and employer's contribution to provident and superannuation funds.
2. Net remuneration represents gross remuneration less contribution to provident and superannuation funds, profession tax and income tax.
3. None of the employees mentioned above is a relative of any Director.
4. Designation/nature of duties are as on March 31, 2005 and remuneration is for the year ended that date.

For and on behalf of the Board

N. VAGHUL
*Chairman*

Mumbai, July 15, 2005

ICICI Bank

# financials

# 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, 2005 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 the 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 branches 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, 2005, 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, 2005;

        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, 2005*

# balance sheet

**as on March 31, 2005** **(Rs. in '000s)**

| | Schedule | As on 31.03.2005 | As on 31.03.2004 |
|---|---|---|---|
| **CAPITAL AND LIABILITIES** | | | |
| Capital | 1 | **10,867,758** | *9,664,012* |
| Reserves and Surplus | 2 | **118,131,954** | *73,941,561* |
| Deposits | 3 | **998,187,775** | *681,085,845* |
| Borrowings | 4 | **335,444,960** | *307,402,393* |
| Other liabilities and provisions | 5 | **213,961,606** | *180,194,930* |
| TOTAL | | **1,676,594,053** | *1,252,288,741* |
| **ASSETS** | | | |
| Cash and balance with Reserve Bank of India | 6 | **63,449,004** | *54,079,966* |
| Balances with banks and money at call and short notice | 7 | **65,850,719** | *30,626,378* |
| Investments | 8 | **504,873,525** | *434,355,214* |
| Advances | 9 | **914,051,517** | *626,476,288* |
| Fixed Assets | 10 | **40,380,361** | *40,564,141* |
| Other Assets | 11 | **87,988,927** | *66,186,754* |
| TOTAL | | **1,676,594,053** | *1,252,288,741* |
| Contingent liabilities | 12 | **2,681,537,382** | *2,029,419,027* |
| Bills for collection | | **23,920,922** | *15,109,352* |
| 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 S. R. BATLIBOI & CO.
*Chartered Accountants*

per VIREN H. MEHTA
*a Partner*

*Place : Mumbai*
*Date : April 30, 2005*

JYOTIN MEHTA
*General Manager & Company Secretary*

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*

N. S. KANNAN
*Chief Financial Officer & Treasurer*

G. VENKATAKRISHNAN
*General Manager - Accounting & Taxation Group*

# profit and loss account

**for the year ended March 31, 2005** **(Rs. in '000s)**

| | | Schedule | Year ended 31.03.2005 | *Year ended 31.03.2004* |
|---|---|---|---|---|
| **I.** | **INCOME** | | | |
| | Interest earned | 13 | **94,098,944** | *90,023,946* |
| | Other income | 14 | **34,161,439** | *30,649,228* |
| | TOTAL | | **128,260,383** | *120,673,174* |
| **II.** | **EXPENDITURE** | | | |
| | Interest expended | 15 | **65,708,876** | *70,152,492* |
| | Operating expenses | 16 | **32,991,475** | *25,712,325* |
| | Provisions and contingencies | 17 | **9,508,016** | *8,437,294* |
| | TOTAL | | **108,208,367** | *104,302,111* |
| **III.** | **PROFIT/LOSS** | | | |
| | Net profit for the year | | **20,052,016** | *16,371,063* |
| | Profit brought forward | | **530,876** | *50,520* |
| | TOTAL | | **20,582,892** | *16,421,583* |
| **IV.** | **APPROPRIATIONS/TRANSFERS** | | | |
| | Statutory Reserve | | **5,020,000** | *4,093,000* |
| | Capital Reserve | | **200,000** | *2,650,000* |
| | Investment Fluctuation Reserve | | **—** | 2,760,000 |
| | Special Reserve | | **250,000** | *250,000* |
| | Revenue and other Reserves | | **6,000,000** | — |
| | Proposed equity share dividend | | **6,329,609** | *5,440,592* |
| | Proposed preference share dividend | | **35** | *35* |
| | Corporate dividend tax | | **901,027** | *697,080* |
| | Balance carried over to balance sheet | | **1,882,221** | *530,876* |
| | TOTAL | | **20,582,892** | *16,421,583* |
| Significant Accounting Policies and Notes to Accounts | | 18 | | |
| **Earning per share (Refer note B. 8)** | | | | |
| | Basic (Rs.) | | **27.55** | *26.66* |
| | Diluted (Rs.) | | **27.33** | *26.44* |
| Face value per share (Rs.) | | | **10.00** | *10.00* |

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*

per VIREN H. MEHTA
*a Partner*

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, 2005*

JYOTIN MEHTA
*General Manager & Company Secretary*

N. S. KANNAN
*Chief Financial Officer & Treasurer*

G. VENKATAKRISHNAN
*General Manager - Accounting & Taxation Group*

# cash flow statement

ICICI Bank

**for the year ended March 31, 2005** **(Rs. in '000s)**

| Particulars | | Year ended 31.03.2005 | Year ended 31.03.2004 |
|---|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | | |
| Net profit before taxes | | 25,272,032 | 19,022,209 |
| **Adjustments for :** | | | |
| Depreciation and amortisation | | 9,424,450 | 9,268,549 |
| Net (appreciation)/depreciation on investments | | 5,416,494 | 987,057 |
| Provision in respect of non-performing assets (including prudential provision on standard assets) | | (1,213,571) | 4,591,155 |
| Provision for contingencies & others | | 85,984 | 207,936 |
| Income from subsidiaries (investing activity) | | (1,880,786) | (1,261,729) |
| Loss on sale of fixed assets | | 20,822 | 19,136 |
| | | 37,125,425 | 32,834,313 |
| **Adjustments for :** | | | |
| (Increase)/decrease in Investments | | (43,133,937) | (47,269,037) |
| (Increase)/decrease in Advances | | (287,949,797) | (90,899,851) |
| Increase/(decrease) in Borrowings | | 54,169,059 | 11,401,514 |
| Increase/(decrease) in Deposits | | 317,101,929 | 199,392,782 |
| (Increase)/decrease in Other assets | | (20,734,975) | (7,914,593) |
| Increase/(decrease) in Other liabilities and provisions | | 43,226,853 | 14,154,337 |
| | | 62,679,132 | 78,865,152 |
| Direct taxes paid | | (8,487,388) | (8,531,173) |
| **Net cash generated from operating activities** | (A) | 91,317,169 | 103,168,292 |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | | |
| Investments in subsidiaries and/or joint ventures | | (6,430,433) | (6,415,226) |
| Income received on such investments | | 1,880,786 | 1,261,729 |
| Purchase of fixed assets | | (3,795,277) | (4,838,324) |
| Proceeds from sale of fixed assets | | 262,914 | 337,851 |
| **(Purchase)/Sale of held to maturity securities** | | (26,370,435) | (11,715,313) |
| **Net cash generated from investing activities** | (B) | (34,452,445) | (21,369,283) |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | | |
| Proceeds from issue of share capital | | 31,922,933 | — |
| Amount received on exercise of stock options | | 649,862 | 539,078 |
| Repayment of bonds (including subordinated debt) | | (38,616,923) | (57,334,107) |
| Dividend and dividend tax paid | | (6,227,217) | (5,187,662) |
| **Net cash generated from financing activities** | (C) | (12,271,345) | (61,982,691) |
| **Net increase/(decrease) in cash and cash equivalents** | (A) + (B) + (C) | 44,593,379 | 19,816,318 |
| **Cash and cash equivalents as at April 1st** | | 84,706,344 | 64,890,026 |
| **Cash and cash equivalents as at March 31st** | | 129,299,723 | 84,706,344 |

Significant accounting policies and notes to accounts (refer Schedule 18)
The Schedules referred to above form an integral part of the Balance Sheet.

As per our Report of even date

For S. R. BATLIBOI & CO.
*Chartered Accountants*

per VIREN H. MEHTA
*a Partner*

*Place : Mumbai*
*Date : April 30, 2005*

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*

JYOTIN MEHTA
*General Manager & Company Secretary*

N. S. KANNAN
*Chief Financial Officer & Treasurer*

G. VENKATAKRISHNAN
*General Manager - Accounting & Taxation Group*

## forming part of the Balance Sheet

(Rs. in '000s)

| | As on 31.03.2005 | *As on 31.03.2004* |
|---|---|---|
| **SCHEDULE 1 — CAPITAL** | | |
| Authorised Capital | | |
| 1,550,000,000 equity shares of Rs. 10 each [March 31, 2004: 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* |
| Equity share capital | | |
| Issued, subscribed and paid-up capital 616,391,905 equity shares (March 31, 2004: 613,021,301 equity shares) of Rs. 10 each | **6,163,919** | *6,130,213* |
| Less : Calls unpaid | — | — |
| Add : Forfeited 67,323 equity shares (March 31, 2004: 13,103 equity shares) | **372** | *93* |
| Add : Issued 120,324,189 equity shares (March 31, 2004: 3,370,604 equity shares) of Rs. 10 each [1] | **1,203,242** | *33,706* |
| Share capital suspense [net] [Represents application money received for 22,470 equity shares (March 31, 2004: Nil equity shares) of Rs.10 each on exercise of employee stock options] | **225** | **—** |
| TOTAL | **7,367,758** | *6,164,012* |
| 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 | **10,867,758** | *9,664,012* |

[1] Includes :-

a) 108,874,351 equity shares (net of shares forfeited) issued consequent to public issue vide prospectus dated April 12, 2004.

b) 6,992,187 equity shares on excercise of the Green Shoe Option.

c) 4,457,651 equity shares on exercise of employee stock options [March 31, 2004: 3,370,604 equity shares].

[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.

Note:-

Pursuant to the sponsored ADS offering in March 2005, 41,371,500 equity shares have been converted to 20,685,750 ADS.

forming part of the Balance Sheet *(Contd.)* (Rs. in '000s)

| | As on 31.03.2005 | *As on 31.03.2004* |
|---|---|---|
| **SCHEDULE 2 — RESERVES AND SURPLUS** | | |
| I. Statutory reserve | | |
| Opening balance | **9,607,307** | *5,514,307* |
| Additions during the year | **5,020,000** | *4,093,000* |
| Deductions during the year | **—** | *—* |
| Closing balance | **14,627,307** | *9,607,307* |
| II. Special reserve | | |
| Opening balance | **11,690,000** | *11,440,000* |
| Additions during the year | **250,000** | *250,000* |
| Deductions during the year | **—** | *—* |
| Closing balance | **11,940,000** | *11,690,000* |
| III. Share premium | | |
| Opening balance | **8,523,304** | *8,045,721* |
| Additions during the year [1] | **31,897,100** | *477,583* |
| Deductions during the year [2] | **528,052** | *—* |
| Closing balance | **39,892,352** | *8,523,304* |
| IV. Investment fluctuation reserve | | |
| Opening balance | **7,303,350** | *1,273,350* |
| Additions during the year | **—** | *6,030,000* |
| Deductions during the year | **2,143,350** | *—* |
| Closing balance | **5,160,000** | *7,303,350* |
| V. Capital reserve | | |
| Opening balance | **4,650,000** | *2,000,000* |
| Additions during the year | **200,000** | *2,650,000* |
| Deductions during the year | **—** | *—* |
| Closing balance | **4,850,000** | *4,650,000* |
| VI. Revenue and other reserves | | |
| Opening balance | **31,636,724** | *34,906,724* |
| Additions during the year | **8,143,350** | *—* |
| Deductions during the year | **—** | *3,270,000* |
| Closing balance | **39,780,074** | *31,636,724* |
| VII. Balance in profit and loss account | **1,882,221** | *530,876* |
| TOTAL | **118,131,954** | *73,941,561* |

[1] Includes :-

a) Rs. 29,396.1 million (net of share premium in arrears of Rs. Nil (March 31, 2004: Rs. Nil) consequent to public issue vide prospectus dated April 12, 2004.
b) Rs. 1,887.9 million on the exercise of the Green Shoe Option.
c) Rs. 602.5 million (March 31, 2004: Rs. 477.6 million) on exercise of employee stock options.
d) Rs. 2.5 million (March 31, 2004: Rs. Nil) on account of share application money on exercise of employee stock options.
e) Rs. 8.1 million (March 31, 2004: Rs. Nil) on account of shares forfeited as per terms of public issue vide prospectus dated April 12, 2004.

[2] Represents share issue expenses amounting to Rs. 528.1 million, written-off from the share premium account as per the object of the issue.

**forming part of the Balance Sheet** *(Contd.)* **(Rs. in '000s)**

| | | | | As on 31.03.2005 | *As on 31.03.2004* |
|---|---|---|---|---|---|
| **SCHEDULE 3 — DEPOSITS** | | | | | |
| A. | I. | Demand deposits | | | |
| | | i) | From banks | **1,976,547** | *1,345,603* |
| | | ii) | From others | **126,392,471** | *71,244,990* |
| | II. | Savings bank deposits | | **113,918,205** | *83,720,260* |
| | III. | Term deposits | | | |
| | | i) | From banks | **64,467,974** | *50,418,828* |
| | | ii) | From others | **691,432,578** | *474,356,164* |
| | TOTAL | | | **998,187,775** | *681,085,845* |
| B. | I. | Deposits of branches in India | | **963,791,353** | *670,287,519* |
| | II. | Deposits of branches outside India | | **34,396,422** | *10,798,326* |
| | TOTAL | | | **998,187,775** | *681,085,845* |

| | | | | As on 31.03.2005 | *As on 31.03.2004* |
|---|---|---|---|---|---|
| **SCHEDULE 4 — BORROWINGS** | | | | | |
| **I.** | **Borrowings in India** | | | | |
| | i) | Reserve Bank of India | | **—** | *—* |
| | ii) | Other banks | | **20,779,268** | *16,568,829* |
| | iii) | Other institutions and agencies | | | |
| | | a) | Government of India | **3,612,510** | *4,411,459* |
| | | b) | Financial Institutions | **45,185,692** | *40,531,000* |
| | iv) | Borrowings in the form of | | | |
| | | a) | Deposits taken over from erstwhile ICICI Limited | **2,070,517** | *3,098,362* |
| | | b) | Bonds and debentures (excluding subordinated debt) | | |
| | | | — Debentures and bonds guaranteed by the Government of India | **14,815,000** | *14,815,000* |
| | | | — Borrowings under private placement of bonds carrying maturity of one to thirty years from the date of placement | **30,948,127** | *48,150,574* |
| | | | Bonds issued under multiple option/safety bonds series | | |
| | | | — Regular interest bonds | **9,933,481** | *10,953,604* |
| | | | — Deep discount bonds | **4,039,128** | *4,069,486* |
| | | | — Bonds with premium warrants | **797,947** | *685,670* |
| | | | — Encash bonds | **1,170,280** | *1,431,105* |
| | | | — Tax saving bonds | **59,167,873** | *84,889,030* |
| | | | — Pension bonds | **59,351** | *56,896* |
| | | c) | Application money pending allotment | **6,160,858** | *—* |
| **II.** | **Borrowings outside India** | | | | |
| | i) | From multilateral/bilateral credit agencies (guaranteed by the Government of India for the equivalent of Rs. 20,448.6 million) | | **24,949,331** | *24,403,563* |
| | ii) | From international banks, institutions and consortiums | | **80,041,728** | *35,111,989* |
| | iii) | By way of bonds and notes | | **31,713,869** | *18,225,826* |
| | TOTAL | | | **335,444,960** | *307,402,393* |

Secured borrowings in I and II above is Rs. Nil.

ICICI Bank **forming part of the Balance Sheet** *(Contd.)* **(Rs. in '000s)**

| | **As on 31.03.2005** | *As on 31.03.2004* |
|---|---|---|
| **SCHEDULE 5 — OTHER LIABILITIES AND PROVISIONS** | | |
| I. Bills payable | **27,944,845** | *16,852,843* |
| II. Inter-office adjustments (net) | **5,614,186** | *3,419,337* |
| III. Interest accrued | **13,116,497** | 13,561,305 |
| IV. Unsecured redeemable debentures/bonds [Subordinated for Tier II Capital] | **82,088,996** | *91,058,612* |
| V. Others | | |
| a) Security deposits from clients | **12,030,416** | *9,510,841* |
| b) Sundry creditors | **42,262,101** | *24,970,428* |
| c) Received for disbursements under special program | **2,932,942** | *2,730,091* |
| d) Provision for standard assets | **2,248,050** | *3,828,050* |
| e) Other liabilities* | **25,723,573** | *14,263,423* |
| TOTAL | **213,961,606** | *180,194,930* |

* Includes :-.

a) Proposed dividend Rs. 6,262.1 million [March 31, 2004: Rs. 5,439.9 million].
b) Corporate dividend tax payable Rs. 878.3 million [March 31, 2004: Rs. 697.0 million].

| | **As on 31.03.2005** | *As on 31.03.2004* |
|---|---|---|
| **SCHEDULE 6 — CASH AND BALANCES WITH RESERVE BANK OF INDIA** | | |
| I. Cash in hand (including foreign currency notes) | **5,544,811** | *4,467,734* |
| II. Balances with Reserve Bank of India in current accounts | **57,904,193** | *49,612,232* |
| TOTAL | **63,449,004** | *54,079,966* |

| | **As on 31.03.2005** | *As on 31.03.2004* |
|---|---|---|
| **SCHEDULE 7 — BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE** | | |
| I. In India | | |
| i) Balances with banks | | |
| a) in current accounts | **5,228,934** | *3,411,303* |
| b) in other deposit accounts | **7,061,268** | *10,238,969* |
| ii) Money at call and short notice | | |
| a) with banks | **16,100,000** | — |
| b) with other institutions | **1,900,000** | — |
| TOTAL | **30,290,202** | *13,650,272* |
| II. Outside India | | |
| i) in current accounts | **7,324,711** | *2,877,153* |
| ii) in other deposit accounts | **16,659,195** | *9,948,286* |
| iii) money at call and short notice | **11,576,611** | *4,150,667* |
| TOTAL | **35,560,517** | *16,976,106* |
| GRAND TOTAL (I + II) | **65,850,719** | *30,626,378* |

**forming part of the Balance Sheet** *(Contd.)* **(Rs. in '000s)**

| | | | As on 31.03.2005 | *As on 31.03.2004* |
|---|---|---|---|---|
| **SCHEDULE 8 — INVESTMENTS [net of provisions]** | | | | |
| **I.** | **Investments in India** | | | |
| | i) | Government securities | **344,516,800** | *298,876,781* |
| | ii) | Other approved securities | **301,154** | *301,155* |
| | iii) | Shares | **19,147,771** | *16,842,660* |
| | iv) | Debentures and bonds | **28,540,305** | *55,490,989* |
| | v) | Subsidiaries and/or joint ventures | **12,848,124** | *11,037,612* |
| | vi) | Others (CPs, Mutual Fund Units, Pass through Certificates, Security Receipts etc.) | **84,404,072** | *48,196,306* |
| | TOTAL | | **489,758,226** | *430,745,503* |
| **II.** | **Investments outside India** | | | |
| | i) | Government securities | **377,947** | *132,924* |
| | ii) | Subsidiaries and/or joint ventures abroad* | **7,818,846** | *3,198,926* |
| | iii) | Others | **6,918,506** | *277,861* |
| | TOTAL | | **15,115,299** | *3,609,711* |
| | GRAND TOTAL (I + II) | | **504,873,525** | *434,355,214* |
| | * Includes investment in preference shares. | | | |
| **SCHEDULE 9 — ADVANCES [net of provisions]** | | | | |
| A. | i) | Bills purchased and discounted | **43,984,209** | *12,308,603* |
| | ii) | Cash credits, overdrafts and loans repayable on demand | **123,344,410** | *60,978,735* |
| | iii) | Term loans | **722,588,931** | *539,807,424* |
| | iv) | Securitisation, Finance lease and Hire Purchase receivables* | **24,133,967** | *13,381,526* |
| | TOTAL | | **914,051,517** | *626,476,288* |
| B. | i) | Secured by tangible assets [includes advances against Book Debt] | **778,517,712** | *573,528,527* |
| | ii) | Covered by Bank/Government Guarantees | **10,104,623** | *6,154,561* |
| | iii) | Unsecured | **125,429,182** | *46,793,200* |
| | TOTAL | | **914,051,517** | *626,476,288* |
| C. | **I.** | Advances in India | | |
| | i) | Priority Sector | **200,892,904** | *145,307,396* |
| | ii) | Public Sector | **11,154,310** | *7,071,294* |
| | iii) | Banks | **4,517,162** | *433,504* |
| | iv) | Others | **635,303,209** | *463,026,182* |
| | TOTAL | | **851,867,585** | *615,838,376* |
| | **II.** | Advances outside India | | |
| | i) | Due from banks | **10,375,851** | — |
| | ii) | Due from others | | |
| | | a) Bills purchased and discounted | **24,736,630** | *5,958,406* |
| | | b) Syndicated loans | **11,925,394** | *1,962,537* |
| | | c) Others | **15,146,057** | *2,716,969* |
| | TOTAL | | **62,183,932** | *10,637,912* |
| | GRAND TOTAL (C. I and II) | | **914,051,517** | *626,476,288* |

* Includes receivables under lease amounting to Rs. 913.6 million (March 31, 2004: Rs. 1,417.8 million)

ICICI Bank **forming part of the Balance Sheet** *(Contd.)* **(Rs. in '000s)**

| | | As on 31.03.2005 | *As on 31.03.2004* |
|---|---|---|---|
| **SCHEDULE 10 — FIXED ASSETS** | | | |
| **I.** | **Premises** | | |
| | At cost as on March 31st of preceding year | **16,668,982** | *16,061,840* |
| | Additions during the year | **2,254,384** | *939,989* |
| | Deductions during the year | **(93,625)** | *(332,847)* |
| | Depreciation to date | **(1,516,102)** | *(1,020,673)* |
| | Net block | **17,313,639** | *15,648,309* |
| **II.** | **Other fixed assets (including furniture and fixtures)*** | | |
| | At cost as on March 31st of preceding year | **13,587,781** | *10,612,849* |
| | Additions during the year | **2,826,608** | *3,121,078* |
| | Deductions during the year | **(110,450)** | *(146,146)* |
| | Depreciation to date | **(7,765,842)** | *(5,303,877)* |
| | Net block | **8,538,097** | *8,283,904* |
| **III.** | **Assets given on Lease** | | |
| | At cost as on March 31st of preceding year | **20,645,237** | *21,455,141* |
| | Additions during the year | **2,838** | *777,257* |
| | Deductions during the year | **(525,248)** | *(1,587,161)* |
| | Depreciation to date, accumulated lease adjustment and provisions | **(5,594,202)** | *(4,013,309)* |
| | Net block | **14,528,625** | *16,631,928* |
| | TOTAL | **40,380,361** | *40,564,141* |

* Includes amount capitalised on software: Cost as on 31.03.2004 Rs. 2,057.7 million, Additions during the year Rs. 364.9 million, Accumulated depreciation Rs. 1,396.5 million, Net value Rs. 1,026.1 million.

| | | | |
|---|---|---|---|
| **SCHEDULE 11 — OTHER ASSETS** | | | |
| I. | Inter-office adjustments (net) | **—** | *—* |
| II. | Interest accrued | **13,124,389** | *10,031,028* |
| III. | Tax paid in advance/tax deducted at source (net) | **26,643,957** | *19,951,503* |
| IV. | Stationery and stamps | **3,609** | *3,600* |
| V. | Non-banking assets acquired in satisfaction of claims* | **3,677,234** | *5,047,938* |
| VI. | Others | | |
| | a) Advance for capital assets | **963,017** | *939,922* |
| | b) Outstanding fees and other Income | **2,792,942** | *1,484,556* |
| | c) Exchange fluctuation suspense with Government of India | **244,749** | *577,818* |
| | d) Swap suspense | **794,710** | *677,012* |
| | e) Deposits | **15,003,770** | *8,951,335* |
| | f) Deferred tax asset (net) | **148,666** | *4,429,685* |
| | g) Early retirement option expenses not written off | **1,269,979** | *1,653,979* |
| | h) Others | **23,321,905** | *12,438,378* |
| | TOTAL | **87,988,927** | *66,186,754* |

* Includes certain non-banking assets acquired in satisfaction of claims which are in the process of being transferred in the Bank's name.

| | | | |
|---|---|---|---|
| **SCHEDULE 12 — CONTINGENT LIABILITIES** | | | |
| I. | Claims against the Bank not acknowledged as debts | **27,464,523** | *25,017,852* |
| II. | Liability for partly paid investments | **168,396** | *1,241,429* |
| III. | Liability on account of outstanding forward exchange contracts | **714,848,723** | *557,043,848* |
| IV. | Guarantees given on behalf of constituents | | |
| | a) In India | **140,444,828** | *113,855,978* |
| | b) Outside India | **15,968,174** | *6,433,971* |
| V. | Acceptances, endorsements and other obligations | **74,115,736** | *65,141,996* |
| VI. | Currency Swaps | **112,957,025** | *44,484,809* |
| VII. | Interest rate swaps, currency options and interest rate futures | **1,519,218,305** | *1,177,640,840* |
| VIII. | Other items for which the Bank is contingently liable | **76,351,672** | *38,558,304* |
| | TOTAL | **2,681,537,382** | *2,029,419,027* |

## forming part of the Profit and Loss Account

(Rs. in '000s)

| | | Year ended 31.03.2005 | Year ended 31.03.2004 |
|---|---|---|---|
| **SCHEDULE 13 — INTEREST EARNED** | | | |
| I. | Interest/discount on advances/bills | **67,528,301** | *60,738,528* |
| II. | Income on investments | **22,294,366** | *25,400,941* |
| III. | Interest on balances with Reserve Bank of India and other inter-bank funds | **2,320,089** | *2,106,345* |
| IV. | Others* | **1,956,188** | *1,778,132* |
| | TOTAL | **94,098,944** | *90,023,946* |

* Includes interest on income tax refunds Rs. 247.3 million (March 31, 2004 Rs. 406.1 million).

| | | Year ended 31.03.2005 | Year ended 31.03.2004 |
|---|---|---|---|
| **SCHEDULE 14 — OTHER INCOME** | | | |
| I. | Commission, exchange and brokerage | **19,210,001** | *10,717,982* |
| II. | Profit/(Loss) on sale of investments (net) | **5,461,352** | *12,246,330* |
| III. | Profit/(Loss) on revaluation of investments (net) | **(907)** | — |
| IV. | Profit/(Loss) on sale of land, buildings and other assets (net)* | **(20,822)** | *(19,136)* |
| V. | Profit/(Loss) on foreign exchange transactions (net) | **3,146,394** | *1,926,267* |
| VI. | Income earned by way of dividends, etc. from subsidiary companies and/or joint ventures abroad/ in India | **1,880,786** | *1,261,730* |
| VII. | Miscellaneous Income (including lease income) | **4,484,635** | *4,516,055* |
| | TOTAL | **34,161,439** | *30,649,228* |

* Includes profit/(loss) on sale of assets given on lease.

| | | Year ended 31.03.2005 | Year ended 31.03.2004 |
|---|---|---|---|
| **SCHEDULE 15 — INTEREST EXPENDED** | | | |
| I. | Interest on deposits | **32,520,688** | *30,230,202* |
| II. | Interest on Reserve Bank of India/inter-bank borrowings | **2,527,689** | *2,293,656* |
| III. | Others (including interest on borrowings of erstwhile ICICI Limited)* | **30,660,499** | *37,628,634* |
| | TOTAL | **65,708,876** | *70,152,492* |

* Includes expenses incurred to raise funds amounting to Rs. 252.6 million (March 31, 2004: Rs. 297.4 million).

| | | Year ended 31.03.2005 | Year ended 31.03.2004 |
|---|---|---|---|
| **SCHEDULE 16 — OPERATING EXPENSES** | | | |
| I. | Payments to and provisions for employees | **7,374,121** | *5,460,573* |
| II. | Rent, taxes and lighting | **1,853,347** | *1,492,502* |
| III. | Printing and Stationery | **876,632** | *861,008* |
| IV. | Advertisement and publicity | **1,162,555** | *686,788* |
| V. | Depreciation on Bank's property (including non banking assets) | **2,933,725** | *2,609,344* |
| VI. | Depreciation (including lease equalisation) on Leased assets | **2,969,907** | *2,785,069* |
| VII. | Directors' fees, allowances and expenses | **3,872** | *3,650* |
| VIII. | Auditors' fees and expenses | **17,632** | *16,750* |
| IX. | Law Charges | **97,141** | *86,895* |
| X. | Postages, Telegrams, Telephones, etc. | **1,736,270** | *1,415,019* |
| XI. | Repairs and maintenance | **2,159,454** | *1,895,723* |
| XII. | Insurance | **597,230** | *334,991* |
| XIII. | Direct marketing agency expenses | **4,854,521** | *2,937,004* |
| XIV. | Other expenditure | **6,355,068** | *5,127,009* |
| | TOTAL | **32,991,475** | *25,712,325* |
| **SCHEDULE 17 — PROVISIONS AND CONTINGENCIES** | | | |
| I. | Income Tax | | |
| | - Current period tax | **1,764,935** | *2,695,947* |
| | - Deferred tax adjustment | **3,425,081** | *(68,800)* |
| II. | Wealth Tax | **30,000** | *24,000* |
| III. | Provision for investments (including credit subsitutes) (net) | **5,415,587** | *987,056* |
| IV. | Provision for advances (net)* | **(1,213,571)** | *4,591,155* |
| V. | Others | **85,984** | *207,936* |
| | TOTAL | **9,508,016** | *8,437,294* |

* Includes provision on non performing advances, non performing leased assets, other receivables and standard assets.

## 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 to Generally Accepted Accounting Principles ("GAAP") in India, the guidelines issued by 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 the 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

During the year, the Bank made an issue of 115,920,758 equity shares (including 6,992,187 equity shares issued by exercise of green shoe option) of Rs.10 each at a premium of Rs. 270 per share aggregating Rs. 32,457.8 million under the Prospectus dated April 12, 2004. The expenses of the issue have been charged to the Share Premium Account, in accordance with the objects of the Issue stated in the Prospectus.

ICICI Bank had sponsored American Depositary Shares (ADSs) Offering which opened for participation on March 7, 2005 and closed on March 11, 2005. In terms of the Offering, 20,685,750 ADSs representing 41,371,500 equity shares had been sold at a price of US$ 21.1 per ADS. The gross proceeds from the ADS Offering were approximately US$ 436.7 million (Rs.19,099.6 million). The net consideration per share (after deduction of expenses in connection with the offering) was Rs. 453.16.

## 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 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 or in the opinion of the management significant uncertainties exist as to the final financial closure and/or date of completion of the project.

b) Commissions paid to direct marketing agents ("DMAs") for auto loans, is recorded upfront in the profit and loss account net of subvention income received from them.

c) Income from hire purchase operations is accrued by applying the interest rate implicit on outstanding balances.

d) 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 Institute of Chartered Accountants of India ("ICAI"). Accordingly, leases effective from April 1, 2001 are accounted as advances at an amount equal to the net investment in the lease. The lease rentals are apportioned between principal and finance income based on a pattern reflecting a constant periodic return on the net investment of outstanding in respect of finance lease. The principal amount is recognised as repayment of advances and the finance income is reported as interest income.

e) Income on discounted instruments is recognised over the tenure of the instrument on a constant yield basis.

f) Dividend is accounted on an accrual basis when the right to receive the dividend is established.

g) Fees received as a compensation of future interest sacrifice is amortised over the remaining period of the facility.

h) Arranger's fee is accrued proportionately where more than 75% of the total amount of finance has been arranged.

i) All other fee income is recognised upfront on their becoming due.

j) Income arising from sell down/securitisation of loan assets is recognised upfront, net of future servicing cost for assets sold, expected prepayment and projected delinquencies and included in interest income.

k) Guarantee commission is recognised over the period of the guarantee.

### 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 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 "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 published by FIMMDA.

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

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

Securities are valued scrip-wise and depreciation/appreciation aggregated for each category. Net appreciation 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 RBI guidelines.

g) Profit on sale of investments in the 'Held to Maturity' category is credited to the revenue account and is thereafter appropriated (net of applicable taxes and statutory reserve requirements) to Capital Reserve.

h) At the end of each reporting period, security receipts issued by 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 asset reconstruction company from time to time, for valuation of such investments at each reporting year end.

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

a) All credit exposures are classified as per RBI guidelines, into performing and non-performing assets ("NPAs"). Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by RBI. Provisions are made on substandard and doubtful assets at rates prescribed by RBI. Loss assets and unsecured portion of doubtful assets are provided/written off as per the extant RBI guidelines. 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.

In accordance with RBI guidelines on graded higher provisioning norms for the secured portion of doubtful assets, the Bank makes a 100% provision on the secured portion of assets classified as doubtful for more than three years. Further, as permitted by the said guidelines, assets classified as doubtful for more than three years at March 31, 2004 are fully provided for assets in a graded manner over three years (i.e. 60% by March 31, 2005, 75% by March 31, 2006 and 100% by March 31, 2007).

b) For restructured/rescheduled assets, provision is made in accordance with the guidelines issued by 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 subjected to restructuring, asset category is upgraded to standard 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 a fair valuation exercise carried out by an independent firm. To the extent provisions are required in respect of 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 specific provision on NPAs, the Bank maintains a general provision on performing loans. The general provision adequately covers the requirements of the RBI guidelines.

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 1% of the total funded assets, no provision is maintained on such country exposure.

**4. Transfer and servicing of financial assets**

The Bank transfers commercial and consumer loans through securitisation transactions. The transferred loans are de-recognised and gains/losses are recorded only if the Bank surrenders the rights to benefits specified in the loan contract. Recourse and servicing obligations are reduced from proceeds of the sale. Retained beneficial interests in the loans is measured by allocating the carrying value of the loans between the assets sold and the retained interest, based on the relative fair value at the date of the securitisation.

**5. 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% |
| EDC Terminals | 16.67% |
| 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 fully over a period of 12 months from the date of purchase.

**6. Foreign currency transactions**

a) Foreign currency income and expenditure items of domestic operations are translated at the exchange rates prevailing on the date of the transaction, income and expenditure items of integral foreign operations (representative offices) are translated at weekly average closing rate, and income and expenditure of non integral foreign operations (foreign branches and off-shore banking units) are translated at quarterly average closing rate.

b) Monetary foreign currency assets and liabilities of domestic and integral foreign operations are translated at closing exchange rates notified by Foreign Exchange Dealers' Association of India ("FEDAI") at the balance sheet date and the resulting profits/losses are included in the profit and loss account.

c) Both monetary and non-monetary foreign currency assets and liabilities of non integral foreign operations are translated at closing exchange rates notified by FEDAI at the balance sheet date and the resulting profits/losses exchange differences are accumulated in the foreign currency translation reserve until the disposal of the net investment in the non integral foreign operations.

d) 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.

e) Contingent liabilities on account of guarantees, endorsements and other obligations are stated at the exchange rates notified by FEDAI at the balance sheet date.

**7. 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/off-balance sheet assets and liabilities or for trading purposes.

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

Foreign currency and rupee derivatives, which are entered for trading purposes, are marked to market and the resulting gain/loss, (net of provisions, if any) is recorded in the profit and loss account.

**8. 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.

**9. Staff Retirement Benefits**

For employees covered under group gratuity scheme of Life Insurance Corporation of India ("LIC")/ICICI Prudential Life Insurance Company Limited ("ICICI Prulife"), gratuity charge to profit and loss account is on the basis of premium charged. For employees covered under group superannuation scheme of LIC, the superannuation charged to profit and loss account is on the basis of premium charged by LIC. Provision for gratuity for other employees and leave encashment liability are determined as per actuarial valuation at year-end. 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.

**10. 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 assets and liabilities are measured using tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date. The impact on account of changes in the deferred tax assets and liabilities is also recognised in the profit and loss account.

Deferred tax assets are recognised and reassessed at each reporting date, based upon management's judgement as to whether realisation is considered 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.

**11. Impairment of assets**

Long-lived assets and certain intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net discounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

As on March 31, 2005 there were no events or changes in circumstances which indicate any impairment in the carrying value of the assets covered by AS 28.

**12. Accounting for contingencies**

The Bank estimates the probability of any loss that might be incurred on outcome of contingencies on the basis of information available up to the date on which the financial statements are prepared. A provision is recognized when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are determined based on management estimate required to settle the obligation at the balance sheet date, supplemented by experience of similar transactions. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates. In cases where the available information indicates that the loss on the contingency is reasonably possible but the amount of loss cannot be reasonably estimated, a disclosure is made in the financial statements. In case of remote possibility neither provision nor disclosure is made in the financials.

**13. Earnings per share**

Basic and diluted earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Diluted earnings per equity share has been computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the period, except where the results are anti-dilutive.

**14. 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.

**B. NOTES FORMING PART OF THE ACCOUNTS**

**1. Information about business and geographical segments**

The Bank reports its operations under the following business segments:

- **Consumer and Commercial Banking** comprising the retail and corporate banking operations 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.

Based on such allocations, segmental balance sheet as on March 31, 2005 and March 31, 2004 and segmental profit & loss account for the year ended March 31, 2005 and 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 31.03.05** | *For the year ended 31.03.04* | **For the year ended 31.03.05** | *For the year ended 31.03.04* | **For the year ended 31.03.05** | *For the year ended 31.03.04* |
| 1. | Revenue | **106,436.9** | *95,819.3* | **30,926.2** | *35,902.8* | **137,363.1** | *131,722.1* |
| 2. | Less: Inter segment revenue | **—** | — | **—** | — | **(9,102.7)** | *(11,049.0)* |
| 3. | Total revenue (1) –(2) | **—** | — | **—** | — | **128,260.4** | *120,673.1* |
| 4. | Operating Profit (i.e. Profit before unallocated expenses, and tax) | **19,760.7** | *12,984.2* | **10,183.3** | *12,080.1* | **29,944.0** | *25,064.3* |
| 5. | Unallocated expenses | **—** | — | **—** | — | **384.0** | *256.0* |
| 6. | Provisions (net) | **814.1** | *5,542.8* | **3,473.9** | *243.4* | **4,288.0** | *5,786.2* |
| 7. | Profit before tax | **18,946.6** | *7,441.4* | **6,709.4** | *11,836.7* | **25,272.0** | *19,022.1* |
| 8. | Income tax expenses (net) / (net of deferred tax credit) | **—** | — | **—** | — | **5,220.0** | *2,651.1* |
| 9. | Net profit(7)-(8) | **—** | — | **—** | — | **20,052.0** | *16,371.0* |
| 10. | Segment assets | **1,051,486.3** | *771,726.4* | **597,045.1** | *454,527.0* | **1,648,531.4** | *1,226,253.4* |
| 11. | Unallocated assets | **—** | — | **—** | — | **28,062.7** | *26,035.3* |
| 12. | Total assets(10)+(11) | **—** | — | **—** | — | **1,676,594.1** | *1,252,288.7* |
| 13. | Segment liabilities | **1,291,932.4** | *978,706.4* | **384,661.7** | *273,582.3* | **1,676,594.1** | *1,252,288.7* |
| 14. | Unallocated liabilities | **—** | — | **—** | — | — | — |
| 15. | Total liabilities (13)+(14) | **—** | — | **—** | — | **1,676,594.1** | *1,252,288.7* |

The business operations of the Bank are largely concentrated in India. 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. 1,952.3 million (March 31, 2004: Rs. 1,455.1 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. 117.1 million (March 31, 2004: Rs. 105.1 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. During the year the Bank has raised subordinate debt amounting to Rs. 4,500.0 million under private placement bonds issued on February 28, 2005. Details of the same are as follows:

(Rupees in million)

| Particulars | Coupon Rate (%) | Tenure | Amount |
|---|---|---|---|
| Option I | 1 Yr INBMK + 60 bps (To be reset six monthly) | 5 years and 3 months | 2,650.0 |
| Option II | 7.00 | 5 years and 3 months | 350.0 |
| Option III | 7.10 | 7 years and 3 months | 550.0 |
| Option IV | 7.20 | 10 years and 3 months | 950.0 |
| **Total** | | | **4,500.0** |

**forming part of the Accounts** *(Contd.)*

4. **Employee Stock Option Scheme ("ESOS")**

In terms of the ESOS, as amended, the maximum number of options granted to any eligible employee in a financial year shall not exceed 0.05% of the issued equity shares of the Bank at the time of grant of the options and aggregate of all such options granted to the eligible employees shall not exceed 5% of the aggregate number of the issued equity shares of the Bank on the date (s) of the grant of options.

In terms of the Scheme, 18,215,335 options (March 31, 2004: 15,964,982 options) granted to eligible employees were outstanding at March 31, 2005.

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

| | Option shares outsatanding | |
|---|---|---|
| | **Year ended March 31, 2005** | *Year ended March 31, 2004* |
| Outstanding at the beginning of the year | **15,964,982** | *12,610,275* |
| *Add:* Granted during the year | **7,554,500** | *7,491,800* |
| *Less :* Forfeited/lapsed during the year | **846,496** | *766,489* |
| Exercised during the year* | **4,457,651** | *3,370,604* |
| Outstanding at the end of the year | **18,215,335** | *15,964,982* |

* Excludes options exercised but not allotted.

5. **Early Retirement Option ("ERO")**

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

The ex-gratia payments under ERO and termination benefits and leave encashment in excess of the provision made (net of tax benefits), aggregating to Rs. 1,910.0 million (March 31, 2004: 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).

On account of the above ERO scheme, an amount of Rs. 384.0 million (March 31, 2004: Rs. 256.0 million) has been charged to revenue being the proportionate amount amortised for the year ended March 31, 2005.

6. **Deferred Tax**

On March 31, 2005, the Bank has recorded net deferred tax asset of Rs. 148.7 million (March 31, 2004: Rs. 4,429.7 million) which has been included in Other Assets. The break-up of deferred tax assets and liabilities into major items is given below:

(Rupees in million)

| **Particulars** | **Year ended March 31, 2005** | *Year ended March 31, 2004* |
|---|---|---|
| Deferred tax asset | | |
| Provision for bad and doubtful debts | **6,990.8** | *13,434.1* |
| Others | **917.2** | *202.4* |
| | **7,908.0** | *13,636.5* |
| Less: Deferred tax liability | | |
| Depreciation on fixed assets | **7,537.7** | *8,970.6* |
| Others | **221.6** | *236.2* |
| | **7,759.3** | *9,206.8* |
| Net Deferred Tax Asset/ (Liability) | **148.7** | *4,429.7* |

7. **Related party transactions**

The Bank has transactions with its related parties comprising subsidiaries (including joint ventures), associates (including joint ventures) and key management personnel. The following represents the significant transactions between the Bank and such related parties:

**Insurance services**

During the year ended March 31, 2005, the Bank paid insurance premium to insurance joint ventures amounting to Rs. 315.4 million (March 31, 2004: Rs. 157.2 million). During the year ended March 31, 2005 the Bank received claims from insurance subsidiaries amounting to Rs. 8.4 million (March 31, 2004: Rs. 85.6 million).

**Fees**

During the year ended March 31, 2005, the Bank received fees from its insurance joint ventures amounting to Rs. 279.8 million (March 31, 2004: Rs. 65.3 million) and commission of Rs. 5.3 million on account of guarantees and LCs issued for subsidiaries (March 31, 2004: Rs. 1.0 million).

**Lease of premises and facilities**

During the year ended March 31, 2005, the Bank charged an aggregate amount of Rs. 432.8 million (March 31, 2004: Rs. 361.9 million) for lease of premises, facilities and other administrative costs to subsidiaries and joint ventures.

**Sale of housing loan portfolio**

During the year ended March 31, 2005, the Bank sold housing loan portfolio to its subsidiary amounting to Rs. 3,059.7 million (March 31, 2004: Rs. 18,317.2 million).

**Secondment of employees**

During the year ended March 31, 2005, the Bank received Rs. 8.4 million (March 31, 2004: Rs. 14.2 million) from subsidiaries and joint ventures for secondment of employees.

**Purchase of investments**

During the year ended March 31, 2005, the Bank purchased certain investments from its subsidiaries and joint ventures amounting to Rs. 32,440.1 million (March 31, 2004: Rs. 49,814.2 million) and from its associate amounting to Rs. 820.0 million (March 31, 2004: Rs. 9,629.6 million).

**Sale of investments**

During the year ended March 31, 2005, the Bank sold certain investments to its subsidiaries and joint ventures amounting to Rs. 22,668.5 million (March 31, 2004: Rs. 3,234.1 million). On the sales made to subsidiaries and joint ventures, the Bank accounted for a loss of Rs. 12.4 million (March 31, 2004: Gain of Rs. 199.2 million).

**Redemption/Buyback and Conversion of investments**

During the year ended March 31, 2005, certain investments in subsidiaries and joint ventures in preference shares were converted to equity shares amounting to Rs. 250.0 million (March 31, 2004: Rs. Nil). Consideration of Rs. 106.9 million (March 31, 2004: Rs. 197.2 million) was received on account of buyback of equity shares by a subsidiary and a gain amounting to Rs. 67.4 million (March 31, 2004: Rs. 9.8 million) was accounted in the books. Equity units in associates amounting to Rs. 2,362.8 million (March 31, 2004: Rs. 350.0 million) were redeemed during the year and a gain of Rs. 19.8 million (March 31, 2004: Rs. Nil) was accounted on redemption.

**Reimbursement of expenses**

During the year ended March 31, 2005, the Bank reimbursed expenses to its subsidiaries amounting to Rs. 2,596.0 million (March 31, 2004: Rs. 2,075.7 million).

**Brokerage paid**

During the year ended March 31, 2005, the Bank paid brokerage to its subsidiary amounting to Rs. 9.1 million (March 31, 2004: Rs. 5.7 million).

**Custodial charges received**

During the year ended March 31, 2005, the Bank received custodial charges from its subsidiaries and joint ventures amounting to Rs. 5.7 million and associates amounting to Rs. 2.2 million (March 31, 2004: Rs. 4.7 million).

**Interest paid**

During the year ended March 31, 2005, the Bank paid interest to its subsidiaries and joint ventures amounting to Rs. 255.7 million (March 31, 2004: Rs. 67.9 million) and to its associates amounting to Rs. 1.1 million (March 31, 2004: Rs. 9.5 million).

**Interest received**

During the year ended March 31, 2005, the Bank received interest from its subsidiaries and joint ventures amounting to Rs. 376.7 million (March 31, 2004: Rs. 327.2 million) and from its key management personnel[@] Rs. 0.3 million (March 31, 2004: Rs. 0.4 million).

**Other Income**

At March 31, 2005, the Bank has accounted gain on derivative transactions entered into with subsidiaries and joint ventures amounting to Rs. 462.3 million (March 31, 2004: loss of Rs. 62.4 million).

**Dividend received**

During the year ended March 31, 2005, the Bank received dividend from its subsidiaries and joint ventures amounting to Rs. 714.5 million (March 31, 2004: Rs. 1,289.7 million) and from its associates amounting to Rs. 1,221.8 million (March 31, 2004: Rs. Nil).

**Remuneration to whole-time directors**

Remuneration paid to the whole-time directors of the Bank during the year ended March 31, 2005 was Rs. 60.5 million (March 31, 2004:Rs. 58.5 million)

**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, 2005:

(Rupees in million)

| Items/Related Party | Subsidiaries/ Joint ventures | Associates | Key Management Personnel@ | Total |
|---|---|---|---|---|
| Deposits with ICICI Bank | 6,593.6 | 0.3 | 37.1 | 6,631.0 |
| Deposits of ICICI Bank* | 9,798.9 | — | — | 9,798.9 |
| Call money borrowed | 459.2 | — | — | 459.2 |
| Advances | 322.9 | — | 19.1 | 342.0 |
| Investments of ICICI Bank | 20,734.1 | 14,470.5 | | 35,204.6 |
| Investments of related parties in ICICI Bank | 1.6 | — | 2.3 | 3.9 |
| Receivables | 202.4 | — | — | 202.4 |
| Payables | 885.3 | — | — | 885.3 |
| Guarantees | 4,928.3 | — | — | 4,928.3 |
| Letter of Comfort | 21,318.3 | — | — | 21,318.3 |
| Swaps/Forward Contracts | 118,137.1 | — | — | 118,137.1 |

The following balances represent the maximum balance payable to/ receivable from subsidiaries/ joint ventures/ associates/ key management personnel during the year ended March 31, 2005:

(Rupees in million)

| Items/Related Party | Subsidiaries/ Joint ventures | Associates | Key Management Personnel@ | Total |
|---|---|---|---|---|
| Deposits with ICICI Bank | 19,352.2 | 2,405.5 | 196.1 | 21,953.8 |
| Deposits of ICICI Bank | 9,798.9 | — | — | 9,798.9 |
| Call money borrowed | 3,500.0 | — | — | 3,500.0 |
| Advances | 2,435.6 | — | 19.1 | 2,454.7 |
| Investments of ICICI Bank | 40,204.6 | 33,399.0 | — | 73,603.6 |
| Investments of related parties in ICICI Bank | 16.6 | — | 2.3 | 18.9 |
| Receivables | 202.4 | — | — | 202.4 |
| Payables | 1,762.1 | — | — | 1,762.1 |
| Guarantees | 4,928.3 | — | — | 4,928.3 |
| Letter of Comfort | 21,318.3 | — | — | 21,318.3 |
| Swaps/Forward Contracts | 230,905.2 | — | — | 230,905.2 |

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 with ICICI Bank | 2,021.2 | 37.3 | 23.1 | 2,081.6 |
| Deposits of ICICI Bank* | 131.2 | — | — | 131.2 |
| Call money borrowed | — | — | — | — |
| Advances | 2,426.0 | — | 10.2 | 2,436.2 |
| Investments of ICICI Bank | 14,303.6 | 15,942.5 | — | 30,246.1 |
| Investments of related parties in ICICI Bank | 15.0 | — | 2.0 | 17.0 |
| Receivables | 315.1 | 808.0 | — | 1,123.1 |
| Payables | 739.4 | 0.5 | — | 739.9 |
| Guarantees | 100.0 | — | — | 100.0 |
| Letter of Comfort | 10,291.7 | — | — | 10,291.7 |
| Swaps/Forward Contracts | 155,481.0 | — | — | 155,481.0 |

The following balances represent the maximum balance payable to/receivable from subsidiaries/ joint ventures/ associates/ key management personnel during the year ended March 31, 2004:

(Rupees in million)

| Items/Related Party | Subsidiaries/ Joint ventures | Associates | Key Management Personnel@ | Total |
|---|---|---|---|---|
| Deposits with ICICI Bank | 11,897.6 | 450.1 | 94.0 | 12,441.7 |
| Deposits of ICICI Bank | 2,500.0 | — | — | 2,500.0 |
| Call money borrowed | 5,974.9 | — | — | 5,974.9 |
| Advances | 3,614.7 | — | 14.8 | 3,629.5 |
| Investments of ICICI Bank | 20,712.5 | 30,342.1 | — | 51,054.6 |
| Investments of related parties in ICICI Bank | 50.0 | — | 2.0 | 52.0 |
| Receivables | 2,062.6 | 808.0 | — | 2870.6 |
| Payables | 1,061.3 | 0.5 | — | 1,061.8 |
| Guarantees | 100.0 | — | — | 100.0 |
| Letter of Comfort | 11,341.7 | — | — | 11,341.7 |
| Swaps/Forward Contracts | 165,731.5 | — | — | 165,731.5 |

@ whole-time directors and relatives

* includes call money lent

**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.

The computation of earnings per share is given below:

(Rupees in million except per share data)

| | **March 31, 2005** | *March 31, 2004* |
|---|---|---|
| **Basic (annualised)** | | |
| Weighted average no. of equity shares outstanding | **727,728,042** | *614,157,868* |
| Net profit | **20,052.0** | *16,371.0* |
| Basic earnings per share (Rs.) | **27.55** | *26.66* |
| **Diluted (annualised)** | | |
| Weighted average no. of equity shares outstanding | **733,720,485** | *619,201,380* |
| Net profit | **20,052.0** | *16,371.0* |
| Diluted earnings per share (Rs.) | **27.33** | *26.44* |
| Nominal value per share (Rs.) | **10.00** | *10.00* |

The dilutive impact is mainly due to options granted 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, 2005** | *March 31, 2004* |
|---|---|---|
| Not later than one year | **234.4** | *229.6* |
| Later than one year and not later than five years | **999.5** | *974.9* |
| Later than five years | **311.2** | *571.0* |
| Total | **1,545.1** | *1,775.5* |

9.2 Assets under finance lease

The future lease rentals are given below:

(Rupees in million)

| Period | **March 31, 2005** | *March 31, 2004* |
|---|---|---|
| Total of future minimum lease payments | **1,105.5** | *1,792.9* |
| Present value of lease payments | **913.6** | *1,417.8* |
| Unmatured finance charges | **191.9** | *375.1* |
| Maturity profile of total of future minimum lease payments | | |
| - Not later than one year | **293.3** | *397.0* |
| - Later than one year and not later than five years | **804.5** | *1,255.6* |
| - Later than five years | **7.7** | *140.3* |
| Total | **1,105.5** | *1,792.9* |

Maturity profile of present value of lease payments:

(Rupees in million)

| Period | **March 31, 2005** | *March 31, 2004* |
|---|---|---|
| - Not later than one year | **222.8** | *276.5* |
| - Later than one year and not later than five years | **683.3** | *1,008.7* |
| - Later than five years | **7.5** | *132.6* |
| Total | **913.6** | *1,417.8* |

**10. Additional disclosures**

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

10.1 Capital adequacy ratio

The capital to risk weighted 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, 2005** | *March 31, 2004* |
|---|---|---|
| Tier I capital* | **102,463.2** | *55,250.9* |
| Tier II capital | **56,566.1** | *38,756.9* |
| Total capital | **159,029.3** | *94,007.8* |
| Total risk weighted assets | **1,350,168.1** | *907,340.2* |
| Capital ratios (per cent) | | |
| Tier I | **7.59%** | *6.09%* |
| Tier II | **4.19%** | *4.27%* |
| Total capital | **11.78%** | *10.36%* |

* 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 year ended March 31, 2005 and March 31, 2004 are given in the table below:

(Rupees in million)

| | **March 31, 2005** | *March 31, 2004* |
|---|---|---|
| (i) Interest income to working funds (per cent) | **6.94%** | *7.83%* |
| (ii) Non-interest income to working funds (per cent) | **2.52%** | *2.70%* |
| (iii) Operating profit to working funds (per cent) | **2.18%** | *2.09%* |
| (iv) Return on assets (per cent) | **1.59%** | *1.31%* |
| (v) Business per employee (average deposits plus average advances) (not annualised for period end) | **88.0** | *101.0* |
| (vi) Profit per employee | **1.1** | *1.2* |
| (vii) Net non-performing advances (funded) to net advances (per cent) ... | **1.65%** | *2.21%* |

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

10.3 Maturity pattern

a) Rupee denominated assets and liabilities as on March 31, 2005

The maturity pattern of rupee denominated assets and liabilities of the Bank as on March 31, 2005 is given below:

(Rupees in million)

| Maturity Buckets | Loans & advances | Investment securities | Deposits | Borrowings |
|---|---|---|---|---|
| 1 to 14 days | 59,136.0 | 76,070.3 | 49,629.2 | 561.0 |
| 15 to 28 days | 4,554.5 | 20,350.1 | 26,173.0 | 6,798.7 |
| 29 days to 3 months | 39,053.9 | 48,422.0 | 125,531.9 | 6,848.7 |
| 3 to 6 months | 38,964.9 | 47,302.7 | 152,494.5 | 20,711.1 |
| 6 months to 1 year | 71,963.6 | 59,469.5 | 187,367.2 | 35,576.9 |
| 1 to 3 years | 264,250.1 | 113,827.6 | 391,052.9 | 88,710.7 |
| 3 to 5 years | 81,015.7 | 22,237.7 | 9,783.2 | 18,552.0 |
| Above 5 years | 227,896.5 | 109,861.7 | 9,268.4 | 18,230.2 |
| Total | 786,835.2 | 497,541.6 | 951,300.3 | 195,989.3 |

**forming part of the Accounts** *(Contd.)*

b) 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 | 19,489.5 | 52,498.7 | 53,572.2 | 5,689.3 |
| 15 to 28 days | 4,243.7 | 27,561.2 | 16,595.3 | 6,264.2 |
| 29 days to 3 months | 11,939.4 | 32,787.9 | 72,534.5 | 6,935.9 |
| 3 to 6 months | 19,139.5 | 32,634.2 | 85,839.2 | 19,097.4 |
| 6 months to 1 year | 74,568.2 | 41,563.7 | 107,581.2 | 32,956.4 |
| 1 to 3 years | 170,886.0 | 117,415.4 | 294,475.0 | 102,112.9 |
| 3 to 5 years | 87,005.4 | 22,746.1 | 19,556.9 | 22,224.5 |
| Above 5 years | 173,744.3 | 107,148.0 | 7,897.7 | 24,741.6 |
| Total | 561,016.0 | 434,355.2 | 658,052.0 | 220,022.2 |

c) Forex denominated assets and liabilities as on March 31, 2005

The maturity pattern of forex denominated assets and liabilities as on March 31, 2005 is given below:

(Rupees in million)

| Maturity Buckets | Loans & advances | Investments securities | Deposits | Borrowings | Balances with banks and money at call and short notice |
|---|---|---|---|---|---|
| 1 to 14 days | 1,382.3 | 213.1 | 4,633.0 | 3,447.0 | 20,666.0 |
| 15 to 28 days | 3,514.6 | 53.0 | 6,510.8 | 5,512.8 | 3,040.3 |
| 29 days to 3 months | 26,655.8 | 329.0 | 7,438.1 | 24,415.8 | 4,177.6 |
| 3 to 6 months | 11,355.6 | — | 6,748.4 | 11,780.3 | 6,496.1 |
| 6 months to 1 year | 12,124.6 | 962.4 | 8,040.3 | 21,409.9 | 743.7 |
| 1 to 3 years | 30,032.0 | 159.2 | 7,773.8 | 22,432.7 | — |
| 3 to 5 years | 13,508.8 | 5,380.7 | 5,304.3 | 34,771.6 | 436.8 |
| Above 5 years | 28,642.6 | 234.5 | 438.8 | 15,685.6 | — |
| Total | 127,216.3 | 7,331.9 | 46,887.5 | 139,455.7 | 35,560.5 |

d) 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 | 23,020.6 | — | 1,570.0 | 17,506.0 |
| Total | 65,460.3 | 16,976.1 | 23,033.8 | 87,380.1 |

Notes

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

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, 2005** | *March 31, 2004* |
|---|---|---|
| Capital market sector* | **6,683.6** | *5,932.2* |
| Real estate sector | **43,497.0** | *25,172.34* |
| Commodities sector | **10,061.0** | *1,032.0* |

* represents loans to NBFCs, brokers and individuals against pledge of shares and includes an amount of Rs. 141.0 million as on March 31, 2005 (March 31, 2004: Rs. 3,026.5 million) pertaining to guarantee issued to a corporate for the issue of non-convertible debentures, the proceeds of which have been utilised for acquisition of shares by the corporate

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

(Rupees in million)

| | **April 1, 2004 to March 31, 2005** | *April 1, 2003 to March 31, 2004* |
|---|---|---|
| Opening balance | **30,475.9** | 50,273.8 |
| *Add:* Additions during the year** | **11,157.9** | 7,773.4 |
| | **41,633.8** | 58,047.2 |
| *Less:* Reductions during the year | **(13,929.5)** | (27,571.3) |
| Closing balance* | **27,704.3** | 30,475.9 |

* includes suspended interest and claims received from ECGC/DICGC of Rs. 283.7 million (March 31, 2004: Rs. 501.8 million) on working capital loan.

** excludes cases added to and deleted from NPAs in the same year amounting to Rs. 13,759.9 million (March 31, 2004: Rs. 6,853.7 million)

(iii) Provision for non-performing advances

The movement of provisions during the year is as follows:

(Rupees in million)

| | **April 1, 2004 to March 31, 2005** | *April 1, 2003 to March 31, 2004* |
|---|---|---|
| Opening balance* | **16,250.1** | 22,036.1 |
| *Add:* Provisions made during the period/year (including utilisation of fair value provisions) | **18,002.1** | 7,318.1 |
| | **34,252.2** | 29,354.2 |
| *Less:* Write-offs/recovery | **(21,883.7)** | (13,104.1) |
| Closing balance* | **12,368.5** | 16,250.1 |

* excludes technical write-off amounting to Rs. 15,763.6 million (March 31, 2004: Rs. 23,696.2 million).

(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 RBI governing such transfer. For the purpose of the valuation of the underlying security receipts issued by ARC, for the year ended March 31, 2004 NAV is taken at acquisition cost since ARC had not intimated the NAV and the transfers had been effected close to the year end. For the year ended March 31, 2005, the security receipts were valued at their respective NAVs as advised by the ARC. The details of the assets transferred for the relevant year are given in the table below:

(Rupees in million)

| | | April 1, 2004 to March 31, 2005 | *April 1, 2003 to March 31, 2004* |
|---|---|---|---|
| a) | No. of accounts | **82** | *54* |
| b) | Aggregate value (net of provisions) of accounts sold to SC / RC | **13,279.3** | *12,506.2* |
| c) | Aggregate consideration | **10,862.3** | *12,439.5* |
| d) | Additional consideration realised in respect of accounts transferred in earlier years | **—** | *—* |
| e) | Aggregate gain/(loss) over net sale value | **(2,417.0)** | *(66.7)* |

10.5 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, 2004 to March 31, 2005 | *April 1, 2003 to March 31, 2004* |
|---|---|---|
| Standard assets subjected to restructuring | **15,745.2** | *49,469.4* |
| Sub-standard assets subjected to restructuring | **558.7** | *1,409.0* |
| Doubtful assets subjected to restructuring | **182.5** | *783.4* |
| Total amount | **16,486.4** | *51,661.8* |

Above table includes accounts restructured under the Corporate Debt Restructuring (CDR) scheme during the year, other than cases that were restructured and disclosed in earlier years by the Bank and subsequently were referred to and admitted under the CDR scheme during the current year.

(Rupees in million)

| | April 1, 2004 to March 31, 2005 | *April 1, 2003 to March 31, 2004* |
|---|---|---|
| Standard assets subjected to CDR | **17,501.4** | *53,761.9* |
| Sub-standard assets subjected to CDR | **558.7** | *823.0* |
| Doubtful assets subjected to CDR | **—** | *—* |
| Total amount | **18,060.1** | *54,584.9* |

Above details exclude cases that were approved by CDR Forum and disclosed in the earlier years by the Bank and in which certain terms and conditions have been modified by CDR Forum during the current year.

10.6 Investments

(Rupees in million)

| | March 31, 2005 | | *March 31,2004* | |
|---|---|---|---|---|
| | **In India** | **Outside India** | *In India* | *Outside India* |
| Gross value | **496,627.7** | **15,124.3** | *441,233.8* | *3,674.1* |
| Less: Provision for depreciation and fair value provision | **6,869.5** | **9.0** | *10,488.3* | *64.4* |
| Net value | **489,758.2** | **15,115.3** | *430,745.5* | *3,609.7* |

Provision for depreciation on investments

(Rupees in million)

| | April 1, 2004 to March 31, 2005 | *April 1, 2003 to March 31, 2004* |
|---|---|---|
| Opening balance | **10,470.8** | *15,212.4* |
| *Add:* Provision made during the year (including utilisation of fair value provision) | **(949.1)** | *(4,741.6)* |
| *Less:* Transfer from investment fluctuation reserve | — | — |
| *Add:* Write-off during the year | **(3,442.6)** | *—* |
| Closing balance | **6,079.1** | *10,470.8* |

10.7 Investments in equity shares and equity like instruments

(Rupees in million)

| | March 31, 2005 | March 31, 2004 |
|---|---|---|
| Equity shares* | **9,231.4** | *7,185.8* |
| Convertible debentures | **585.0** | *614.4* |
| Units of equity oriented mutual funds | **252.7** | *202.7* |
| Investment in venture capital funds | **11,761.6** | *11,606.6* |
| Others (loans against collateral, advances to brokers)** | **6,683.6** | *5,932.2* |
| Total | **28,514.3** | *25,541.7* |

* Includes advance application money pending allotment of Rs. 821.3 million (March 31, 2004: Rs. 565.7 million).

** Includes unutilized limits sanctioned to brokers of Rs. 3,495.2 million (March 31, 2004: Rs. 761.1 million)

10.8 Investment in non-SLR securities

i) Issuer composition of non-SLR investments

a) The issuer composition of non-SLR investments of the Bank as on March 31, 2005 is given below:

(Rupees in million)

| No | Issuer | Amount | Extent of private placement (a) | Extent of 'below investment grade' securities (b) | Extent of 'unrated' securities (c) | Extent of 'unlisted' securities (d) |
|---|---|---|---|---|---|---|
| 1 | PSUs | 6,250.0 | 4,620.5 | — | 20.5 | 2,933.6 |
| 2 | FIs | 3,264.3 | 342.3 | — | 101.3 | 101.3 |
| 3 | Banks | 4,684.5 | 2,419.8 | — | — | 53.1 |
| 4 | Private corporate | 45,210.8 | 30,553.2 | 200.0 | 31,362.1 | 29,677.4 |
| 5 | Subsidiaries/Joint ventures | 20,667.0 | 2,661.3 | — | 150.0 | 150.0 |
| 6 | Others | 86,856.3 | 27,821.3 | 23,359.0 | 0.3 | — |
| 7 | Provision held towards depreciation | (6,877.5) | — | — | — | — |
| | Total | 160,055.4 | 68,418.4 | 23,559.0 | 31,634.2 | 32,915.4 |

Amounts reported under columns (a), (b), (c), and (d) above are not mutually exclusive

* This excludes investments, amounting to Rs. 2,551.3 million, in preference shares of subsidiaries, namely ICICI Bank UK Limited and ICICI Bank Canada and Rs. 7,189.6 million invested by overseas branches/offshore banking unit.

b) The issuer composition of non SLR investments of the Bank as on March 31, 2004 is given below:

(Rupees in million)

| No | Issuer | Amount | Extent of private placement (a) | Extent of 'below investment grade' securities (b) | Extent of 'unrated' securities (c) | Extent of 'unlisted' securities (d) |
|---|---|---|---|---|---|---|
| 1 | PSUs | 8,447.3 | 6,558.0 | 146.4 | 328.9 | 6,161.4 |
| 2 | FIs | 9,355.6 | 4,454.8 | — | 101.3 | 5,424.5 |
| 3 | Banks | 1,504.1 | 90.0 | — | — | 342.3 |
| 4 | Private corporate | 68,123.5 | 50,359.2 | 200.0 | 50,394.2 | 50,558.5 |
| 5 | Subsidiaries/ Joint ventures | 14,236.5 | 724.1 | — | 400.0 | 400.0 |
| 6 | Others | 44,062.8 | 12,558.5 | 12,508.2 | 240.9 | — |
| 7 | Provision held towards depreciation | (10,552.6) | — | — | — | — |
| | Total | 135,177.2 | 74,744.6 | 12,854.6 | 51,465.3 | 62,886.7 |

Amounts reported under columns (a), (b), (c), and (d) above are not mutually exclusive

* This excludes investments, amounting to Rs. 324.1 million, in preference shares of subsidiaries, namely ICICI Bank Canada and Rs. 132.9 million invested by overseas branches/offshore banking unit.

**forming part of the Accounts** *(Contd.)*

ii) Non performing non-SLR investments

The non performing non-SLR investments of the Bank as on March 31, 2005 is given below:

(Rupees in million)

| Particulars | Amount |
|---|---|
| Opening balance | 12,334.7 |
| Additions during the period | 1,570.3 |
| Reductions during the period | 5,027.3 |
| Closing balance | 8,877.3 |
| Total provisions held | 3,166.7 |

iii) Non performing non-SLR investments

The non performing non-SLR investments of the Bank as on March 31, 2004 is given below:

(Rupees in million)

| Particulars | Amount |
|---|---|
| Opening balance | 10,749.3 |
| Additions during the period | 6,086.3 |
| Reductions during the above period | 4,501.3 |
| Closing balance | 12,334.7 |
| Total provisions held | 5,409.6 |

10.9 Repurchase transactions

The details of securities sold and purchased under repos and reverse repos during the year ended March 31, 2005 are given below:

(Rupees in million)

| | Minimum outstanding balance during the period | Maximum outstanding balance during the period | Daily average outstanding balance during the period | Balance as on March 31, 2005 |
|---|---|---|---|---|
| Securities sold under repurchase transaction | — | 34,842.0 | 9,683.6 | 13,076.3 |
| Securities purchased under reverse repurchase transaction | — | 14,520.0 | 586.7 | — |

The details of securities sold and purchased under repos and reverse repos during the year ended March 31, 2004 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 |

10.10 Credit exposure

As at March 31, 2005 the Bank has taken single borrower exposure above 15% with the approval of the Board of Directors in the following cases:

| Name of Borrower | **March 31, 2005 % to capital funds** |
|---|---|
| Borrower A | **19.50%** |
| Borrower B | **17.46%** |
| Borrower C | **16.73%** |
| Borrower D | **16.20%** |

10.11 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 1% of the total funded assets, no provision is required to be maintained on country exposures.

(Rupees in million)

| Risk category | **Exposure (net) as on March 31, 2005** | Exposure (net) as on March 31, 2004 |
|---|---|---|
| Insignificant | **54,349.8** | *62,651.1* |
| Low | **11,408.4** | *2,217.7* |
| Moderate | **4,592.1** | *1,735.4* |
| High | **—** | *8.6* |
| Very High | **—** | — |
| Off-Credit | **656.2** | — |
| Total | **71,006.5** | *66,612.8* |
| - of which funded | **38,885.7** | *46,950.6* |

10.12 Interest rate swaps ("IRS")

The notional principal amount of Rupee IRS contracts as at March 31, 2005 is Rs. 51.10 billion for hedging contracts (March 31, 2004: Rs. 34.15 billion) and Rs. 1,114.30 billion for trading contracts (March 31, 2004: Rs. 947.83 billion).

The fair value represents the estimated replacement cost of swap contracts as at balance sheet date. At March 31, 2005 the fair value of trading rupee interest rate swap contracts is Rs. 0.33 billion (March 31, 2004 : Rs. 0.67 billion).

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, 2005, the associated credit risk on trading rupee interest rate swap contracts is Rs. 9.87 billion (March 31, 2004: Rs. 8.96 billion).

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, 2005 the market risk on trading rupee interest rate swap contracts amounts to Rs. 0.14 billion (March 31, 2004: Rs. 0.06 billion).

Credit risk concentration is measured as the highest net receivable under swap contracts from a particular counter party. As at March 31, 2005 there is a credit risk concentration of Rs. 0.27 billion (March 31, 2004: Rs. 0.68 billion) under rupee interest rate swap contracts, with ICICI Securities Ltd. As per the prevailing market practice, the Bank does not insist on collateral from the counter parties of these contracts.

10.13 Rupee and foreign currency derivatives

ICICI Bank is a leading participant in the financial derivatives market. The Bank deals in derivatives for balance sheet management and market making purposes whereby the Bank offers derivative products to its customers, enabling them to hedge their risks.

Dealing in derivatives is centralised in the treasury of the Bank. Derivative transactions are entered into by the treasury front office. Treasury middle office conducts an independent check of the transactions entered into by the front office and also undertakes activities such as confirmation, settlement, accounting, risk monitoring and reporting and ensures compliance with various internal and regulatory guidelines.

## forming part of the Accounts *(Contd.)*

The market making and the proprietary trading activities in derivatives are governed by the investment policy of the Bank, which lays down the position limits, stop loss limits as well as other risk limits. The Risk Management Group (RMG) lays down the methodology for computation and monitoring of risk. Risk Committee of the Board (RCB) reviews the Bank's risk management policy in relation to various risks (portfolio, liquidity, interest rate, off-balance sheet and operational risks), investment policies and strategy and regulatory and compliance issues in relation thereto. The RCB comprises of independent as well as whole time directors.

Risk monitoring on derivatives portfolio is done on a daily basis. The Bank measures and monitors risk using Value at Risk (VAR) approach and the relevant greeks for options. Risk reporting on derivatives forms an integral part of the management information system and the marked to market position and the VAR of the derivatives portfolio is reported on a daily basis.

The use of derivatives for hedging purpose is governed by the hedge policy approved by Asset Liability Management Committee (ALCO). Subject to prevailing RBI guidelines, the Bank deals in derivatives for hedging fixed rate, floating rate or foreign currency assets/liabilities. Transactions for hedging and market making purposes are recorded separately. For hedge transactions, the Bank identifies the hedged item (asset or liability) at the inception of the transaction itself. The Bank uses different methodologies for measuring the hedge effectiveness such as duration and price value of basis point (PVBP). The effectiveness is assessed at the time of inception of the hedge and periodically thereafter.

Hedge derivative transactions are accounted for pursuant to the principles of hedge accounting. Derivatives for market making purpose are marked to market and the resulting gain/loss is recorded in the profit and loss account. Premia on options are accounted for at the expiry of the options. The Bank makes provisions on the outstanding positions in trading derivatives for possible adverse movements in underlying. Derivative transactions are covered under ISDA master agreements with the respective counter parties. The credit exposure on account of derivative transactions is computed as per RBI guidelines and is marked against the credit limits approved for the respective counter parties.

(Rupees in million)

| Sr. No. | Particular | March 31, 2005 Currency derivatives* | March 31, 2005 Interest rate derivatives |
|---|---|---|---|
| 1 | Derivatives (Notional principal amount) | | |
| | a) For hedging | **8,083.1** | **106,428.6** |
| | b) For trading | **274,325.6** | **1,335,689.1** |
| 2 | Marked to market positions | | |
| | a) Asset (+) | **442.0** | **564.7** |
| | b) Liability (-) | — | |
| 3 | Credit exposure | **9,373.9** | **18,124.4** |
| 4 | Likely impact of one percentage change in interest rate (100*PV01)** | | |
| | a) on hedging derivatives *** | **(79.4)** | **(22.1)** |
| | b) on trading derivatives | **880.7** | **(534.5)** |
| 5 | Maximum and minimum of 100*PV01 observed during the year** | | |
| | a) on hedging*** | | |
| | Maximum | **(38.2)** | **2.8** |
| | Minimum | **(101.5)** | **(1,675.1)** |
| | b) on trading | | |
| | Maximum | **1,280.6** | **180.8** |
| | Minimum | **156.6** | **(1,081.3)** |

* Foreign currency IRS & FRAs are included in Interest Rate Derivatives

** Impact of one percent increase in interest rates

*** The swap contracts entered for hedging purpose have an opposite and offsetting impact with the underlying on-balance sheet items.

Effective April 1, 2004, the Bank has accounted for the unrealised gain on rupee interest rate derivatives (net of provisions, if any) as compared to its earlier policy of ignoring such unrealised gains. As a result the profit after tax for the current year is higher by Rs. 296.3 million.

**11. Investments in jointly controlled entities**

Investments include Rs. 83.8 million (March 2004: Rs. 6,690.1 million) representing the Bank's interests in the following jointly controlled entities:

| Sr. No. | Name of the company | Country/ Residence | Percentage holding* |
|---|---|---|---|
| 1 | Prudential ICICI Asset Management Company Limited ......... | India | 44.99%* |
| 2 | Prudential ICICI Trust Limited ................................................. | India | 44.80%* |

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

The aggregate amounts of assets and liabilities as on March 31, 2005 and income and expenses for the year then ended relating to the Bank's interests in the above entities are given below:

(Rupees in million)

| Liabilities | Amount | Assets | Amount |
|---|---|---|---|
| Capital and reserves | 346.4 | Cash and bank balances | 1.5 |
| Other liabilities | 179.0 | Investments | 356.3 |
| | | Fixed assets | 38.0 |
| | | Other assets | 129.6 |
| Total | 525.4 | Total | 525.4 |

(Rupees in million)

| Expenses | Amount | Income | Amount |
|---|---|---|---|
| Interest expenses | — | Interest income | 0.1 |
| Other expenses | 341.5 | Other income | 460.7 |
| Provisions | 41.6 | | |
| Total | 383.1 | Total | 460.8 |

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

(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 | | - Insurance premium/commission | 11,176.0 |
| liability for life policies in force | 4,888.2 | - Others | 824.2 |
| - Others | 8,662.5 | | |
| Provisions | 135.2 | | |
| Total | 13,688.1 | Total | 12,405.5 |

**forming part of the Accounts** *(Contd.)*

**12. Provision for non-performing assets**

In its circular dated DBOD.BP.BC 99/21.04.048/2003-2004 dated June 21, 2004 RBI has introduced graded higher provisioning norms which would require a bank to make 100% provision on the secured portion of doubtful assets outstanding for more than three years in doubtful category instead of the earlier requirement of 50% provision. However, RBI has allowed banks to make 100% provision on the existing assets which are in doubtful category for more than three years as on March 31, 2004, till March 31, 2007 in a graded manner (i.e. 60% as on March 31, 2005, 75% as on March 31, 2006 and 100% as on March 31, 2007). Accordingly the Bank has adopted the revised RBI guidelines.

The impact of the adoption of the revised guidelines on the profit and loss account is not significant.

**13. Subvention income**

Effective April 1, 2004 the commissions paid to direct marketing agents (DMAs) of auto loans, net of subvention income received from them, is recorded upfront in the profit and loss account. For disbursements made till March 31, 2004, the gross commissions paid to direct marketing agents (DMAs) of auto loans were recorded upfront in the profit and loss account and subvention income received from them is being amortised over the life of the loan. The impact of the change is not significant.

**14. Transfer of investments from AFS to HTM category**

During the year ended March 31, 2005, the Bank has transferred investments amounting to Rs. 213,489.4 million from Available for Sale category to Held to Maturity category in accordance with RBI circular: DBOD.No.BP.BC.37/21.04.141/2004-05 dated September 2, 2004. The difference between the book value of each investment and the lower of its acquisition cost and market value on the date of transfer, amounting to Rs. 1,828.2 million has been provided for in the profit and loss account.

**15. Others**

a. Exchange fluctuation

Exchange fluctuation aggregating Rs. 244.7 million (March 31, 2004: Rs. 577.8 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. 794.7 million (debit) (March 31, 2004: Rs. 677.0 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.

**16. Comparative figures**

Figures of the previous period/year have been regrouped to conform to the current year’s presentation.

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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, 2005*

JYOTIN MEHTA
*General Manager & Company Secretary*

N. S. KANNAN
*Chief Financial Officer & Treasurer*

G. VENKATAKRISHNAN
*General Manager - Accounting & Taxation Group*

ICICI Bank

## 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, 2005 | 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) | | 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 '000s) | | (Rs in '000s) | |
| | | | | | for the financial year ended March 31, 2005 | for the previous financial years of the subsidiary since it became a subsidiary | for the financial year ended March 31, 2005 | for the previous financial years of the subsidiary since it became a subsidiary |
| 1 | ICICI Securities Limited | March 31, 2005 | 202,833,200 Equity Shares of Rs. 10 each fully paid up | 99.9% | 2,99,832 | 2,106,891 | 263,680 | 3,186,041 |
| 2 | ICICI Brokerage Services Limited (see Note 3) | March 31, 2005 | 4,500,700 Equity Shares of Rs. 10 each, fully paid up held by ICICI Securities Limited | - | 84,319 | 339,382 | Nil | Nil |
| 3 | ICICI Securities Holdings Inc. (see Note 3) | March 31, 2005 | 1,600,000 Common Stock of USD 1 each fully paid up held by ICICI Securities Limited | - | (13,350) | (5,508) | Nil | Nil |
| 4 | ICICI Securities Inc. (see Note 3) | March 31, 2005 | 1,050,000 Common Stock of USD 1 each fully paid up held by ICICI Securities Holdings Inc. | - | 1,029 | (7,520) | Nil | Nil |
| 5 | ICICI Venture Funds Management Company Limited | March 31, 2005 | 2,343,717 Equity Shares of Rs. 10 each fully paid up | 100% | 91,557 | 344,097 | 232,422 | 649,043 |
| 6 | ICICI International Limited, Mauritius | March 31, 2005 | 40,000 Ordinary Shares of US$10 each fully paid up | 100% | 4 | 11,526 | Nil | 15,782 |
| 7 | ICICI Home Finance Company Limited | March 31, 2005 | 140,000,000 Equity Shares of Rs. 10 each fully paid up | 100% | 100,098 | 291,386 | Nil | 230,000 |
| 8 | ICICI Trusteeship Services Limited | March 31, 2005 | 50,000 Equity Shares of Rs. 10 each fully paid up | 100% | 164 | 633 | Nil | Nil |
| 9 | ICICI Investment Management Company Limited | March 31, 2005 | 10,000,700 Equity Shares of Rs 10 each fully paid up | 100% | 2,095 | 15,866 | Nil | Nil |
| 10 | ICICI Prudential Life Insurance Company Limited | March 31, 2005 | 684,500,000 Equity Shares of Rs. 10 each fully paid up | 74% | (1,565,995) | (3,504,675) | Nil | Nil |
| 11 | ICICI Lombard General Insurance Company Limited | March 31, 2005 | 162,800,000 Equity Shares of Rs.10 each fully paid up | 74% | 194,967 | 53,847 | 162,800 | 130,329 |
| 12 | ICICI Distribution Finance Private Limited | March 31, 2005 | 8,750,000 Equity Shares of Rs. 10 each fully paid up | 100% | 16,132 | Nil | Nil | 75,250 |
| 13 | ICICI Bank UK Limited | March 31, 2005 | 100,000,000 Ordinary shares of USD 1 each and 2 Ordinary Shares of 1 GBP each | 100% | 102,253 | (98,233) | Nil | Nil |
| 14 | ICICI Bank Canada (see Note 4) | December 31, 2004 | 15,000,000 Common Shares of Canadian Dollar 1 each | 100% | (166,685) | Nil | Nil | Nil |

1. The above companies (other than ICICI Distribution Finance Private Limted, ICICI Bank UK Limited and ICICI Bank Canada) which were subsidiaries of erstwhile ICICI Limited have become subsidiaries of the Bank consequent to merger of ICICI Limited with ICICI Bank.
2. The amount received by the erstwhile ICICI Limited upto March 29, 2002 as dividend has also been included in the reserves of ICICI Bank.
3. ICICI Brokerage Services Limited and ICICI Securities Holdings Inc. are wholly owned subsidiaries of ICICI Securities Limited. ICICI Securities Inc. is in turn a wholly owned subsidiary of ICICI Securities Holdings Inc.
4. The above information for ICICI Bank Canada is for the period September 12, 2003 to December 31, 2004 (first financial year). Since ICICI Bank Canada follows January to December as its financial year details of certain key financial parameters as on March 31,2005 and their movement from December 31,2004 are furnished below.The financial parameters have been translated into Indian Rupees at 1 CAD = Rs 36.0825 for the financial year ended March 2005 and 1 CAD = Rs 36.095 for the calendar year ended December 31, 2004.

| | | | *(Rs in '000s)* |
|---|---|---|---|
| Particulars | As on March 31, 2005 | As on Dec 31, 2004 | Movement |
| Equity Share Capital | 731,533 | 486,113 | 245,420 |
| Fixed Assets | 95,468 | 75,355 | 20,113 |
| Investments | 3,358,457 | 2,189,505 | 1,168,952 |
| Advances | 3,244,322 | 1,691,166 | 1,553,156 |
| Borrowings * | 2,183,026 | 2,168,558 | 14,468 |

*Since it is not possible to diclose separately the amount borrowed other than to meet its current liabilities,the amount shown above denotes the total borrowings.

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*

NACHIKET MOR
*Executive Director*

CHANDA D. KOCHHAR
*Executive Director*

N. S. KANNAN
*Chief Financial Officer & Treasurer*

JYOTIN MEHTA
*General Manager & Company Secretary*

G. VENKATAKRISHNAN
*General Manager Accounting & Taxation Group*

*Place: Mumbai*
*Date: April 30, 2005*

# 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, 2005, 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.60,871.52 million as at March 31, 2005, the total revenues of Rs.3,457.86 million and cash flows amounting to Rs.9,502.10 million for the year then ended. These financial statements have been audited by other auditors, in so far as it relates to the amounts included in respect of the subsidiaries, is solely based on the report of those respective auditors.

We have jointly audited the financial statements of a joint venture with other auditor whose financial statements reflect total assets of Rs. 48,125.93 million as at March 31, 2005, the total revenue of Rs.24,807.88 million and cash flows amounting to Rs. 1,492.66 million for the year then ended.

We have also relied on the un-audited financial statements of certain subsidiaries/associates/joint ventures, whose financial statements reflect total assets of Rs. 7,669.63 million as at March 31, 2005, total revenues of Rs. 110.91 million and cash flows amounting to Rs. 335.79 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, 2005;

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, 2005

# consolidated balance sheet

ICICI Bank

as on March 31, 2005 (Rs. in '000s)

| | Schedule | As on 31.03.2005 | As on 31.03.2004 |
|---|---|---|---|
| **CAPITAL AND LIABILITIES** | | | |
| Capital | 1 | **10,867,758** | *9,664,012* |
| Reserves and Surplus | 2 | **115,376,012** | *71,395,199* |
| Minority interest | | **1,524,823** | *111,219* |
| Deposits | 3 | **1,011,086,273** | *680,787,334* |
| Borrowings | 4 | **383,690,219** | *349,580,671* |
| Liabilities on policies in force | | **34,475,904** | *10,610,595* |
| Other liabilities and provisions | 5 | **227,315,323** | *185,327,032* |
| TOTAL | | **1,784,336,312** | *1,307,476,062* |
| **ASSETS** | | | |
| Cash and balance with Reserve Bank of India | 6 | **63,701,428** | *54,462,954* |
| Balances with banks and money at call and short notice | 7 | **72,566,904** | *35,421,148* |
| Investments | 8 | **546,527,266** | *462,674,451* |
| Advances | 9 | **964,099,562** | *649,479,297* |
| Fixed Assets | 10 | **41,781,927** | *41,470,671* |
| Other Assets | 11 | **95,659,225** | *63,967,541* |
| TOTAL | | **1,784,336,312** | *1,307,476,062* |
| Contingent liabilities | 12 | **2,961,013,608** | *2,120,203,307* |
| Bills for collection | | **23,971,962** | *15,109,352* |
| 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 S. R. BATLIBOI & CO.
*Chartered Accountants*

per VIREN H. MEHTA
*a Partner*

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, 2005*

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, 2005** **(Rs. in '000s)**

| | | Schedule | Year ended 31.03.2005 | *Year ended 31.03.2004* |
|---|---|---|---|---|
| **I.** | **INCOME** | | | |
| | Interest earned | 13 | **98,337,452** | *93,526,723* |
| | Other income | 14 | **70,971,868** | *45,530,181* |
| | Share in affiliates | | **—** | *3* |
| | TOTAL | | **169,309,320** | *139,056,907* |
| **II.** | **EXPENDITURE** | | | |
| | Interest expended | 15 | **68,043,787** | *71,676,576* |
| | Operating expenses | 16 | **72,852,003** | *41,934,253* |
| | Provisions and contingencies | 17 | **10,313,107** | *9,649,754* |
| | TOTAL | | **151,208,897** | *123,260,583* |
| **III.** | **PROFIT/LOSS** | | | |
| | Net profit for the period/year | | **18,100,423** | *15,796,324* |
| | Less: Minority interest | | **(422,853)** | *(7,459)* |
| | Net profit after minority interest | | **18,523,276** | *15,803,783* |
| | Profit brought forward | | **(335,960)** | *10,962* |
| | **TOTAL** | | **18,187,316** | *15,814,745* |
| **IV.** | **APPROPRIATIONS/TRANSFERS** | | | |
| | Statutory Reserve | | **5,023,226** | *4,093,000* |
| | Transfer from Debenture Redemption Reserve | | **—** | *—* |
| | Capital Reserve | | **200,000** | *2,658,700* |
| | Investment Fluctuation Reserve | | **—** | *2,760,000* |
| | Special Reserve | | **359,156** | *339,550* |
| | Revenue and other Reserves | | **6,185,021** | *—* |
| | Proposed equity share dividend | | **6,329,609** | *5,440,592* |
| | Proposed preference share dividend | | **35** | *35* |
| | Interim dividend paid | | **—** | *—* |
| | Corporate dividend tax | | **999,103** | *858,828* |
| | Balance carried over to Balance Sheet | | **(908,834)** | *(335,960)* |
| | TOTAL | | **18,187,316** | *15,814,745* |
| | Significant Accounting Policies and Notes to Accounts | 18 | | |
| | **Earning per share (Refer note B. 7)** | | | |
| | Basic (Rs.) | | **25.45** | *25.73* |
| | Diluted (Rs.) | | **25.25** | *25.52* |
| | **Face value per Share (Rs.)** | | **10.00** | *10.00* |

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*

per VIREN H. MEHTA
*a Partner*

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, 2005*

JYOTIN MEHTA
*General Manager & Company Secretary*

N. S. KANNAN
*Chief Financial Officer & Treasurer*

G. VENKATAKRISHNAN
*General Manager - Accounting & Taxation Group*

# consolidated cash flow statement

ICICI Bank

**for the year ended March 31, 2005** **(Rs. in '000s)**

| Particulars | | Year ended 31.03.2005 | Year ended 31.03.2004 |
|---|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | | |
| Net profit before taxes | | **24,207,093** | *19,202,139* |
| **Adjustments for :** | | | |
| Depreciation and amortisation | | **9,778,945** | *9,483,046* |
| Net (appreciation)/depreciation on investments | | **5,287,521** | *76,365* |
| Provision in respect of non-performing assets (including prudential provision on standard assets) | | **(889,859)** | *4,873,127* |
| Provision for contingencies & others | | **85,984** | *207,936* |
| (Profit)/loss on sale of fixed assets | | **9,232** | *32,785* |
| | | **38,478,916** | *33,875,398* |
| **Adjustments for :** | | | |
| (Increase)/decrease in investments | | **(50,851,844)** | *(58,802,554)* |
| (Increase)/decrease in advances | | **(313,691,838)** | *(109,741,682)* |
| Increase/(decrease) in borrowings | | **60,236,038** | *64,173,144* |
| Increase/(decrease) in deposits | | **330,298,939** | *201,280,322* |
| (Increase)/decrease in other assets | | **(28,306,093)** | *573,749* |
| Increase/(decrease) in other liabilities and provisions | | **74,907,141** | *23,945,784* |
| | | **72,592,343** | *121,428,763* |
| Payment of taxes (net) | | **(9,475,531)** | *(9,317,190)* |
| **Net cash generated from operating activities** | **(A)** | **101,595,728** | *145,986,971* |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | | |
| Purchase of fixed assets | | **(5,914,656)** | *(6,227,868)* |
| Proceeds from sale of fixed assets | | **323,177** | *372,836* |
| (Purchase)/Sale of long term investment | | **(37,444,165)** | *(18,135,921)* |
| **Net cash generated from investing activities** | **(B)** | **(43,035,644)** | *(23,990,953)* |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | | |
| Proceeds from issue of share capital | | **31,922,933** | *—* |
| Amount received on exercise of stock option & calls in arrears | | **649,861** | *539,077* |
| Repayment of bonds (including subordinated debts) | | **(38,366,923)** | *(92,119,083)* |
| Dividend and dividend tax paid | | **(6,381,725)** | *(5,354,941)* |
| **Net cash generated from financing activities** | **(C)** | **(12,175,854)** | *(96,934,947)* |
| **Effect of consolidation of new subsidiary/deconsolidation of subsidiary on cash and cash equivalents** | **(D)** | **—** | *(673,965)* |
| **Net increase/(decrease) in cash and cash equivalents** | **(A) + (B) + (C) + (D)** | **46,384,230** | *24,387,106* |
| **Cash and cash equivalents as at April 1st** | | **89,884,102** | *65,496,996* |
| **Cash and cash equivalents as at March 31st** | | **136,268,332** | *89,884,102* |

Significant Accounting Policies and Notes to Accounts (refer Schedule 18)
The Schedules referred to above form an integral part of the consolidated balance sheet

As per our report of even date

For S. R. BATLIBOI & CO.
*Chartered Accountants*

per VIREN H. MEHTA
*a Partner*

For and on behalf of the Board of Directors

N. VAGHUL
*Chairman*

K. V. KAMATH
*Managing Director & CEO*

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CHANDA D. KOCHHAR
*Executive Director*

NACHIKET MOR
*Executive Director*

*Place : Mumbai*
*Date : April 30, 2005*

JYOTIN MEHTA
*General Manager & Company Secretary*

N. S. KANNAN
*Chief Financial Officer & Treasurer*

G. VENKATAKRISHNAN
*General Manager - Accounting & Taxation Group*

forming part of the Consolidated Balance Sheet (Rs. in '000s)

| | As on 31.03.2005 | *As on 31.03.2004* |
|---|---|---|
| **SCHEDULE 1 — CAPITAL** | | |
| Authorised Capital | | |
| 1,550,000,000 equity shares of Rs. 10 each (March 31, 2004: 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* |
| Equity Share Capital | | |
| Issued, Subscribed and Paid-up Capital 616,391,905 equity shares (March 31, 2004 : 613,021,301 equity shares) of Rs. 10 each | **6,163,919** | *6,130,213* |
| Less : Calls unpaid | **—** | *—* |
| Add : Forfeited 67,323 equity shares (March 31, 2004: 13,103 equity shares) | **372** | *93* |
| Add : Issued 120,324,189 equity shares (March 31, 2004: 3,370,604 equity shares) of Rs. 10 each [1] | **1,203,242** | *33,706* |
| Share capital suspense (Net) (Represents application money received for 22,470 equity shares of Rs.10 each on exercise of employee stock options) | **225** | *—* |
| **TOTAL** | **7,367,758** | *6,164,012* |
| 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** | **10,867,758** | *9,664,012* |

[1] Includes:-

a) 108,874,351 equity shares issued consequent to public issue vide prospectus dated April 12, 2004.

b) 6,992,187 equity shares on exercise of the green shoe option.

c) 4,457,651 equity shares on exercise of employee stock options [March 31, 2004: 3,370,604 equity shares].

[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.

Note:-
Pursuant to the sponsored ADS offering in March 2005, 41,371,500 equity shares have been converted to 20,685,750 ADS.

ICICI Bank **forming part of the Consolidated Balance Sheet** *(Contd.)* **(Rs. in '000s)**

| | As on 31.03.2005 | As on 31.03.2004 |
|---|---|---|
| **SCHEDULE 2 — RESERVES AND SURPLUS** | | |
| I. Statutory reserve | | |
| Opening balance (other than joint ventures) | **9,772,027** | *5,672,327* |
| Additions during the year (other than joint ventures) | **5,023,226** | *4,099,700* |
| Deductions during the year for others (Transferred to revenue and other reserves) | **158,009** | *—* |
| Closing balance | **14,637,244** | *9,772,027* |
| II. Special reserve | | |
| Opening balance (other than joint ventures) | **11,924,946** | *11,585,396* |
| Additions during the year (other than joint ventures) | **359,156** | *339,550* |
| Deductions during the year | **—** | *—* |
| Closing balance | **12,284,102** | *11,924,946* |
| III. Share premium | | |
| Opening balance for others | **8,636,104** | *8,158,521* |
| Additions during the year (other than joint ventures)[1] | **31,897,100** | *477,583* |
| Deductions during the year (other than joint ventures)[2] | **528,052** | *—* |
| Closing balance | **40,005,152** | *8,636,104* |
| IV. Investment fluctuation reserve | | |
| Opening balance (other than joint ventures) | **7,803,326** | *1,293,372* |
| Additions during the year (other than joint ventures) | **853,627** | *6,520,396* |
| Deductions during the year (other than joint ventures) | **2,550,895** | *10,442* |
| Closing balance | **6,106,058** | *7,803,326* |
| V. Capital reserve | | |
| Opening balance (other than joint ventures) | **4,813,166** | *2,137,700* |
| Additions during the year (other than joint ventures) | **200,000** | *2,679,253* |
| Deductions during the year (other than joint ventures) | **—** | *3,787* |
| Closing balance | **5,013,166** | *4,813,166* |
| VI. Revenue and other reserves | | |
| Opening balance for joint ventures | **227,900** | *220,300* |
| Opening balance for others | **28,217,730** | *31,540,484* |
| Additions during the year for joint ventures | **948** | *131,165* |
| Additions during the year for others | **8,990,576** | *—* |
| Deductions during the year for others | **106,864** | *3,446,319* |
| Closing balance | **37,330,290** | *28,445,630* |
| TOTAL | **115,376,012** | *71,395,199* |

[1] Includes :-

a) Rs. 29,396.1 million [net of share premium in arrears of Rs. Nil (March 31, 2004: Rs. Nil)] consequent to public issue vide prospectus dated April 12, 2004.

b) Rs. 1,887.9 million on the exercise of the Green Shoe Option.

c) Rs. 602.5 million (March 31, 2004: Rs.477.6 million) on exercise of employee stock options.

d) Rs.2.5 million (March 31, 2004: Rs.Nil) on account of share application money on exercise of employee stock options.

e) Rs. 8.1 million (March 31, 2004: Rs.Nil) on account of shares forfeited as per terms of equity issue vide prospectus dated April 12, 2004.

[2] Represents share issue expenses amounting to Rs. 528.1 million, written-off from the share premium account as per the object of the issue.

forming part of the Consolidated Balance Sheet *(Contd.)* **(Rs. in '000s)**

| | **As on 31.03.2005** | *As on 31.03.2004* |
|---|---|---|
| **SCHEDULE 3 — DEPOSITS** | | |
| A. I. Demand deposits | | |
| i) From banks | **1,976,547** | *1,353,174* |
| ii) From others | **123,914,225** | *71,097,860* |
| II. Savings bank deposits | **116,596,089** | *83,722,246* |
| III. Term deposits | | |
| i) From banks | **64,467,974** | *50,418,828* |
| ii) From others | **704,131,438** | *474,195,226* |
| TOTAL | **1,011,086,273** | *680,787,334* |
| B. I. Deposits of branches/offices in India | **955,299,532** | *669,193,942* |
| II. Deposits of branches/offices outside India | **55,786,741** | *11,593,392* |
| TOTAL | **1,011,086,273** | *680,787,334* |
| **SCHEDULE 4 — BORROWINGS** | | |
| **I. Borrowings In India** | | |
| i) Reserve Bank of India | **—** | *—* |
| ii) Other banks | **47,413,551** | *36,831,073* |
| iii) Other institutions and agencies | | |
| a) Government of India | **3,612,510** | *4,411,459* |
| b) Financial institutions | **52,628,802** | *50,959,540* |
| iv) Borrowings in the form of | | |
| a) Deposits (including deposits taken over from erstwhile ICICI Limited) | **2,334,981** | *4,659,740* |
| b) Commercial paper | **989,390** | *742,800* |
| 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 | **—** | *—* |
| Borrowings under private placement of bonds carrying maturity of one to thirty years from the date of placement | **30,948,127** | *55,650,574* |
| Bonds issued under multiple option/safety bonds series | | |
| - Regular interest bonds | **9,933,481** | *10,953,604* |
| - Deep discount bonds | **4,039,128** | *4,069,486* |
| - Bonds with premium warrants | **797,947** | *685,670* |
| - Encash bonds | **1,170,280** | *1,431,105* |
| - Tax saving bonds | **59,167,873** | *84,889,030* |
| - Easy instalment bonds | **—** | *—* |
| - Pension bonds | **59,351** | *56,896* |
| d) Application money pending allotment | **6,160,858** | *—* |
| **II. Borrowings outside India** | | |
| i) From multilateral/bilateral credit agencies (guaranteed by the Government of India equivalent of Rs. 20,448.6 million) | **24,949,331** | *24,403,563* |
| ii) From international banks, institutions and consortiums | **92,955,740** | *36,795,305* |
| iii) By way of bonds and notes | **31,713,869** | *18,225,826* |
| TOTAL | **383,690,219** | *349,580,671* |

Secured borrowings in I and II above is Rs. 2,951.1 million (March 31, 2004: Rs. NIL)

ICICI Bank **forming part of the Consolidated Balance Sheet** *(Contd.)* **(Rs. in '000s)**

| | | | As on 31.03.2005 | As on 31.03.2004 |
|---|---|---|---|---|
| **SCHEDULE 5 — OTHER LIABILITIES AND PROVISIONS** | | | | |
| I. | Bills payable | | **27,944,845** | *16,872,412* |
| II. | Inter-office adjustments (net) | | **5,614,186** | *3,419,337* |
| II. | Interest accrued | | **13,418,493** | *13,691,233* |
| III. | Unsecured redeemable debentures/bonds [Subordinated for Tier II capital] | | **82,338,996** | *91,058,612* |
| IV. | Others | | | |
| | a) | Security deposits from clients | **12,034,901** | *9,518,790* |
| | b) | Sundry creditors | **46,734,948** | *28,493,280* |
| | c) | Received for disbursements under special program | **2,932,942** | *2,730,091* |
| | d) | Provision for Standard Assets | **2,307,585** | *3,889,500* |
| | e) | Other liabilities* | **33,988,427** | *15,653,777* |
| | TOTAL | | **227,315,323** | *185,327,032* |

* Includes

a) Proposed dividend Rs. 6,262.1 million [March 31, 2004: Rs. 5,439.9 million].

b) Corporate dividend tax payable Rs. 930.9 million [March 31, 2004: Rs. 697.0 million]

| | | As on 31.03.2005 | As on 31.03.2004 |
|---|---|---|---|
| **SCHEDULE 6 — CASH AND BALANCES WITH RESERVE BANK OF INDIA** | | | |
| **I.** | Cash in hand (including foreign currency notes) | **5,735,325** | *4,849,242* |
| **II.** | Balances with Reserve Bank of India in current and other deposit accounts | **57,966,103** | *49,613,712* |
| | TOTAL | **63,701,428** | *54,462,954* |

| | | | | As on 31.03.2005 | As on 31.03.2004 |
|---|---|---|---|---|---|
| **SCHEDULE 7 — BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE** | | | | | |
| **I.** | In India | | | | |
| | i) | Balances with banks | | | |
| | | a) | in current accounts | **5,176,718** | *3,895,630* |
| | | b) | in other deposit accounts | **9,545,677** | *11,702,568* |
| | ii) | Money at call and short notice | | | |
| | | a) | with banks | **16,100,000** | — |
| | | b) | with other institutions | **1,900,000** | — |
| | TOTAL | | | **32,722,395** | *15,598,198* |
| **II.** | Outside India | | | | |
| | i) | in current accounts | | **7,555,628** | *3,014,256* |
| | ii) | in other deposit accounts | | **8,753,921** | *12,658,027* |
| | iii) | Money at call and short notice | | **23,534,960** | *4,150,667* |
| | TOTAL | | | **39,844,509** | *19,822,950* |
| | GRAND TOTAL (I + II) | | | **72,566,904** | *35,421,148* |

**forming part of the Consolidated Balance Sheet** *(Contd.)* **(Rs. in '000s)**

| | **As on 31.03.2005** | *As on 31.03.2004* |
|---|---|---|
| **SCHEDULE 8 — INVESTMENTS [net of provisions]** | | |
| **I. Investments in India** | | |
| i) Government securities | **359,865,891** | *318,418,688* |
| ii) Other approved securities | **318,890** | *301,155* |
| iii) Shares | **32,027,936** | *29,491,736* |
| iv) Debentures and bonds | **35,035,525** | *64,916,056* |
| v) Associates | **13,311** | *13,298* |
| vi) Others (CPs, Mutual Fund Units, Pass through Certificates, Security Receipts etc.)* | **101,247,552** | *49,122,733* |
| TOTAL | **528,509,105** | *462,263,666* |
| **II. Investments outside India** | | |
| i) Government securities | **377,947** | *132,924* |
| ii) Others | **17,640,214** | *277,861* |
| TOTAL | **18,018,161** | *410,785* |
| GRAND TOTAL (I + II) | **546,527,266** | *462,674,451* |

* Includes assets held to cover linked liabilities of life insurance business of Rs. 26,540.6 million (March 31, 2004: Rs. 8,650.0 million).

| | **As on 31.03.2005** | *As on 31.03.2004* |
|---|---|---|
| **SCHEDULE 9 — ADVANCES [net of provisions]** | | |
| A. i) Bills purchased and discounted | **43,984,209** | *12,308,603* |
| ii) Cash credits, overdrafts and loans repayable on demand | **123,344,410** | *61,254,576* |
| iii) Term loans | **772,559,072** | *562,465,620* |
| iv) Securitisation, finance lease and hire purchase receivables* | **24,211,871** | *13,450,498* |
| TOTAL | **964,099,562** | *649,479,297* |
| B. i) Secured by tangible assets [includes advances against book debt] | **827,679,644** | *598,586,829* |
| ii) Covered by Bank/Government guarantees | **10,795,838** | *6,709,389* |
| iii) Unsecured | **125,624,080** | *44,183,079* |
| TOTAL | **964,099,562** | *649,479,297* |
| C. I. Advances in India | | |
| i) Priority sector | **215,591,362** | *145,307,396* |
| ii) Public sector | **11,154,310** | *7,071,294* |
| iii) Banks | **4,517,162** | *433,504* |
| iv) Others | **650,547,563** | *484,927,584* |
| TOTAL | **881,810,397** | *637,739,778* |
| II. Advances outside India | | |
| i) Due from banks | **10,375,851** | *—* |
| ii) Due from others | | |
| a) Bills purchased and discounted | **24,884,221** | *5,958,406* |
| b) Syndicated loans | **11,925,394** | *1,962,537* |
| c) Others | **35,103,699** | *3,818,576* |
| TOTAL | **82,289,165** | *11,739,519* |
| GRAND TOTAL (C. I and II) | **964,099,562** | *649,479,297* |

* Includes receivables under lease amounting to Rs. 913.6 million (March 31, 2004 : Rs. 1,417.8 million)

ICICI Bank forming part of the Consolidated Balance Sheet *(Contd.)* (Rs. in '000s)

| | | As on 31.03.2005 | *As on 31.03.2004* |
|---|---|---|---|
| **SCHEDULE 10 — FIXED ASSETS** | | | |
| I. | **Premises** | | |
| | At cost as on March 31 of preceding year | **17,091,998** | *16,335,957* |
| | Opening adjustment | **71,166** | — |
| | Additions during the year | **2,547,867** | *1,088,888* |
| | Deductions during the year | **(126,240)** | *(332,847)* |
| | Depreciation to date | **(1,649,800)** | *(1,113,222)* |
| | Net block | **17,934,991** | *15,978,776* |
| II. | **Other fixed assets (including furniture and fixtures)** | | |
| | At cost as on March 31 of preceding year | **14,589,789** | *11,294,487* |
| | Opening adjustment | **179,786** | — |
| | Additions during the year | **3,300,561** | *3,478,064* |
| | Deductions during the year | **(261,281)** | *(182,762)* |
| | Depreciation to date | **(8,510,555)** | *(5,787,996)* |
| | Net block* | **9,298,300** | *8,801,793* |
| III. | **Assets given on Lease** | | |
| | At cost as on March 31 of preceding year | **20,736,475** | *21,546,379* |
| | Additions during the year | **212,838** | *777,257* |
| | Deductions during the year | **(525,248)** | *(1,587,161)* |
| | Depreciation to date, accumulated lease adjustment and provisions | **(5,875,429)** | *(4,046,373)* |
| | Net block | **14,548,636** | *16,690,102* |
| | TOTAL | **41,781,927** | *41,470,671* |

* Includes amount capitalised on software : Cost as on 31.03.2004 Rs. 2,381.0 million, Additions during the year Rs. 462.2 million, Accumulated depreciation Rs. 1,557.3 million, Net value Rs. 1,227.1 million.

| | | As on 31.03.2005 | *As on 31.03.2004* |
|---|---|---|---|
| **SCHEDULE 11 — OTHER ASSETS** | | | |
| I. | Inter-office adjustments (net) | **—** | — |
| II. | Interest accrued | **13,835,593** | *10,353,014* |
| III. | Tax paid in advance/tax deducted at source (net) | **26,943,097** | *20,019,671* |
| IV. | Stationery and stamps | **3,609** | *3,600* |
| V. | Non-banking assets acquired in satisfaction of claims* | **3,677,234** | *5,047,938* |
| VI. | Others | | |
| | a) Advance for capital assets | **1,002,726** | *960,128* |
| | b) Outstanding fees and other income | **3,387,499** | *2,749,536* |
| | c) Exchange fluctuation suspense with Government of India | **244,749** | *577,818* |
| | d) Swap suspense | **794,710** | *677,012* |
| | e) Deposits | **15,020,640** | *8,951,335* |
| | f) Deferred Tax Asset (Net) | **702,188** | *4,628,900* |
| | g) Early Retirement Option expenses not written off | **1,269,979** | *1,654,000* |
| | h) Others** | **28,777,201** | *8,344,589* |
| | TOTAL | **95,659,225** | *63,967,541* |

* Includes certain non-banking assets acquired in satisfaction of claims which are in the process of being transferred in the Bank's name.

** Includes net debit balance in profit and loss account Rs. 908.8 million (March 31, 2004: Rs. 336.0 million) including credit balance in profit and loss account for joint ventures Rs. 4.58 million (March 31, 2004 debit balance in profit and loss account Rs. 3,321.7 million)

| | | As on 31.03.2005 | *As on 31.03.2004* |
|---|---|---|---|
| **SCHEDULE 12 — CONTINGENT LIABILITIES** | | | |
| I. | Claims against the Bank not acknowledged as debts | **27,532,692** | *25,146,652* |
| II. | Liability for partly paid investments | **168,396** | *1,241,429* |
| III. | Liability on account of outstanding forward exchange contracts | **714,653,064** | *557,352,618* |
| IV. | Guarantees given on behalf of constituents | | |
| | a) In India | **141,495,318** | *113,855,978* |
| | b) Outside India | **16,095,087** | *6,433,971* |
| V. | Acceptances, endorsements and other obligations | **74,115,736** | *65,239,936* |
| VI. | Currency swaps | **112,834,926** | *44,302,599* |
| VII. | Interest rate swaps, currency options and interest rate futures | **1,793,399,905** | *1,266,030,840* |
| VIII. | Other items for which the Bank is contingently liable | **80,718,484** | *40,599,284* |
| | TOTAL | **2,961,013,608** | *2,120,203,307* |

**forming part of the Consolidated Profit and Loss Account** (Rs. in '000s)

| | | Year ended 31.03.2005 | Year ended 31.03.2004 |
|---|---|---|---|
| **SCHEDULE 13 — INTEREST EARNED** | | | |
| I. | Interest/discount on advances/bills | **69,811,266** | *61,989,102* |
| II. | Income on investments | **23,921,900** | *27,537,393* |
| III. | Interest on balances with Reserve Bank of India and other inter-bank funds | **2,334,833** | *2,193,950* |
| IV. | Others* | **2,269,453** | *1,806,278* |
| | TOTAL | **98,337,452** | *93,526,723* |

* Includes interest on income tax refund Rs. 307.4 million (March 31, 2004: Rs. 406.1 million)

| | | Year ended 31.03.2005 | Year ended 31.03.2004 |
|---|---|---|---|
| **SCHEDULE 14 —OTHER INCOME** | | | |
| I. | Commission, exchange and brokerage | **20,746,655** | *12,037,235* |
| II. | Profit/(Loss) on sale of investments (net) | **7,560,560** | *14,175,352* |
| III. | Profit/(Loss) on revaluation of investments (net) | **145,644** | *10,430* |
| IV. | Profit/(Loss) on sale of land, buildings and other assets (net)* | **(9,232)** | *(19,955)* |
| V. | Profit/(Loss) on foreign exchange transactions (net) (including premium amortisation) | **2,781,079** | *2,086,142* |
| VI. | Income pertaining to insurance business | **35,354,556** | *12,809,483* |
| VII. | Miscellaneous income (including lease income) | **4,392,606** | *4,431,494* |
| | TOTAL | **70,971,868** | *45,530,181* |

* Includes gain/loss on sale of leased assets

| | | Year ended 31.03.2005 | Year ended 31.03.2004 |
|---|---|---|---|
| **SCHEDULE 15—INTEREST EXPENDED** | | | |
| I. | Interest on deposits | **32,622,753** | 30,194,309 |
| II. | Interest on Reserve Bank of India/inter-bank borrowings | **4,047,872** | 3,230,976 |
| III. | Others (including interest on borrowings of erstwhile ICICI Limited)* | **31,373,162** | 38,251,291 |
| | TOTAL | **68,043,787** | 71,676,576 |

* Includes expenses incurred to raise funds amounting to Rs. 252.6 million (March 31, 2004: Rs. 297.4 million).

| | | Year ended 31.03.2005 | Year ended 31.03.2004 |
|---|---|---|---|
| **SCHEDULE 16—OPERATING EXPENSES** | | | |
| I. | Payments to and provisions for employees | **10,907,630** | *7,106,649* |
| II. | Rent, taxes and lighting | **2,465,214** | *1,855,998* |
| III. | Printing and stationery | **1,052,945** | *954,119* |
| IV. | Advertisement and publicity | **1,837,990** | *1,247,016* |
| V. | Depreciation on Bank's property (including non banking assets) | **3,283,466** | *2,803,542* |
| VI. | Depreciation (including lease equalisation) on leased assets | **2,974,662** | *2,805,368* |
| VII. | Directors' fees, allowances and expenses | **13,749** | *8,372* |
| VIII. | Auditors' fees and expenses | **36,285** | *30,673* |
| IX. | Law charges | **338,794** | *571,637* |
| X. | Postages, telegrams, telephones, etc. | **2,216,701** | *1,600,421* |
| XI. | Repairs and maintenance | **2,550,917** | *2,080,307* |
| XII. | Insurance | **185,839** | *371,742* |
| XII. | Direct marketing agency expenses | **5,064,341** | *3,091,033* |
| XIII. | Expenses pertaining to insurance business | **32,042,377** | *11,888,585* |
| XIV. | Other expenditure | **7,881,093** | *5,518,791* |
| | TOTAL | **72,852,003** | *41,934,253* |

| | | Year ended 31.03.2005 | Year ended 31.03.2004 |
|---|---|---|---|
| **SCHEDULE 17—PROVISIONS AND CONTINGENCIES** | | | |
| I. | Income tax | | |
| | - Current period tax | **2,522,096** | *3,465,972* |
| | - Deferred tax adjustment | **3,131,712** | *(91,633)* |
| II. | Wealth tax | **30,009** | *24,017* |
| III. | Provision for investments (including credit substitutes) (net) | **5,433,165** | *1,170,335* |
| IV. | Provision for advances (net)* | **(889,859)** | *4,873,127* |
| V. | Others | **85,984** | *207,936* |
| | TOTAL | **10,313,107** | *9,649,754* |

* Includes provision on non performing advances, non performing leased assets, other receivables and standard assets.

## 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 accounts for investments in subsidiaries as defined in Accounting Standard ("AS") 21 "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India ("ICAI") on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. The Bank accounts for investments in associates as defined by AS 23 "Accounting for Investments in Associates in Consolidated Financial Statements" as per the equity method of accounting and in joint ventures as per the proportionate consolidation method as defined in AS 27 "Financial Reporting of Interests in Joint Ventures." The financial statements of two companies which are in the nature of jointly controlled entities, have been consolidated as per AS 21 "Consolidated Financial Statements" consequent to the limited revision to AS 27 "Financial Reporting of Interests in Joint Ventures". The details of all these entities are given in the following paragraph.

### 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 Authority ("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. In case the accounting policies followed by a subsidiary, joint venture or associate are different from those followed by ICICI Bank Limited, the same are disclosed separately.

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 Holdings 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% |

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, 2005.

As per the approval of the Reserve Bank of India (RBI) dated March 31, 2003 received by the Bank for the acquisition of ICICI Distribution Finance Private Limited (IDFPL), the Bank is required to initiate proceedings for the voluntary winding up of IDFPL after the business is transferred to the Bank's balance sheet. Hence, the financials of IDFPL 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 IDFPL have been made based on management's assessment of the same.

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

The investment in TCW/ICICI Investment Partners LLC. (holding of the Bank is 50%) is accounted under equity method as per AS 23 "Accounting for Investments in Associates in Consolidated Financial Statements." TCW/ICICI Investment Partners LLC. is an asset and fund management company, which undertakes financial, trust, agency, investment and other operations that may arise in connection therewith.

The Bank has adopted AS 27 "Financial Reporting of Interests in Joint Ventures" and the investments in the following companies have been accounted in accordance with the provisions of AS 27 :-

| Sr. No. | Name of the company | Nature of Activity | Country/ residence | Percentage holding |
|---|---|---|---|---|
| 1 | Prudential ICICI Asset Management Company Limited | Asset Management | India | **44.99% |
| 2 | Prudential ICICI Trust Limited | Trusteeship Services | India | **44.80% |

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

The financial statements of the following companies which are in the nature of jointly controlled entities, have been consolidated as per AS 21 "Consolidated Financial Statements" issued by the ICAI, consequent to the limited revision to AS 27 "Financial Reporting of Interests in Joint Ventures" issued by the ICAI. The said companies, for the previous year were consolidated as per AS 27 "Financial Reporting of Interests in Joint Ventures" issued by the ICAI. The figures for the previous year have not been re-grouped in respect of these jointly controlled companies. Accordingly, the figures for the previous year are not comparable to that extent.

| Sr. No. | Name of the company | Nature of Activity | Country/ residence | Percentage holding |
|---|---|---|---|---|
| 1 | ICICI Prudential Life Insurance Company Limited | Life Insurance | India | 74.00% |
| 2 | ICICI Lombard General Insurance Company Limited | General Insurance | India | 74.00% |

The companies in which ICICI Bank's holding is temporary in nature are excluded from consolidation.

**Equity issue of ICICI Bank Limited**

During April 2004, the Bank made an issue of 115,920,758 equity shares (including 6,992,187 equity shares issued by exercise of green shoe option) of Rs.10 each at a premium of Rs. 270 per share aggregating Rs. 32,457.8 million under the Prospectus dated April 12, 2004. The expenses of the issue have been charged to the Share Premium Account, in accordance with the objects of the Issue stated in the Prospectus.

ICICI Bank had sponsored American Depositary Shares (ADSs) Offering which opened for participation on March 7, 2005 and closed on March 11, 2005. In terms of the Offering, 20,685,750 ADSs representing 41,371,500 equity shares had been sold at a price of US$ 21.1 per ADS. The gross proceeds from the ADS Offering were approximately US$ 436.7 million (Rs.19,099.6 million). The net consideration per share (after deduction of expenses in connection with the offering) was Rs. 453.16.

## A. SIGNIFICANT ACCOUNTING POLICIES

### 1. Revenue recognition

**ICICI Bank Limited**

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 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 or in the opinion of the management significant uncertainties exist as to the final financial closure and/or date of completion of the project.

b) Commissions paid to direct marketing agents (DMAs) for auto loans, is recorded upfront in the profit and loss account net of subvention income received from them.

c) Income from hire purchase operations is accrued by applying the interest rate implicit on outstanding balances.

d) 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 "Accounting for Leases" issued by ICAI. Accordingly, leases effected from April 1, 2001 are accounted as advances at an amount equal to the net investment in the lease. The lease rentals are apportioned between principal and finance income based on a pattern reflecting a constant periodic return on the net investment of outstanding in respect of finance lease. The principal amount is recognised as repayment of advances and the finance income is reported as interest income.

e) Income on discounted instruments is recognised over the tenure of the instrument on a constant yield basis.

f) Dividend is accounted on an accrual basis when the right to receive the dividend is established.

g) Fees received as a compensation of future interest sacrifice is amortised over the remaining period of the facility.

h) Arranger's fee is accrued proportionately where more than 75% of the total amount of finance has been arranged.

i) All other fees are recognised upfront on their becoming due.

j) Income arising from sell down/securitisation of loan assets is recognised upfront, net of future servicing cost for assets sold, expected prepayment and projected delinquencies and included in interest income.

k) Guarantee commission is recognised over the period of the guarantee.

**Other entities**

a) Revenue from issue management, loan syndication, financial advisory services etc., is recognised based on the stage of completion of assignments and terms of agreement with the client.

b) Income from brokerage activities is recognised as income on the trade date of the transaction.Brokerage income in relation to public issues/ other securities is recognised based on mobilization and terms of agreement with the client.

c) In case of life insurance business, insurance premium is recognised as income when due. Premium on lapsed policies is recognised as income when such policies are reinstated. For linked business, premium is recognised when the associated units are allotted. Income from Linked Funds which includes, fund management charges, administrative charges, mortality charges, etc are recovered from the linked fund in accordance with terms and conditions of policy and are accounted on accrual basis.

In case of general insurance business, insurance premium is recognised as income over the contract period based on 1/365 method or over the period of risk whichever is appropriate on a gross basis net of service tax. Any subsequent revision to premium is recognised over the remaining period of risk or contract period. Adjustments to premium income arising on cancellation of policies is recognised in the year in which it is cancelled. Commission on reinsurance business is recognised as income in the year of ceding the risk. Profit commission under re-insurance treaties is recognised as income in the year of determination of profits.

In case of insurance business, interest income on investments is recognised on an accrual basis. Accretion of discount and amortisation of premium relating to debt securities is recognised over the holding/maturity period on a straight-line basis. In case of listed equity shares / mutual fund units, the profit or loss on actual sale of investment includes the accumulated changes in the fair value previously recognised under "Fair Value Change Account".

d) In case of the venture funds, the annual management fee, performance fee and the advisory fee are recognised as revenue when they contractually accrue except where the management believes that the collectability is in doubt. Dividend income from investment in units of mutual fund is recognised on cash basis.

Income on securities classified as stock-in-trade is recognised on trade date.

e) In case of ICICI Equity Fund, ICICI Eco-net Internet and Technology Fund, ICICI Emerging Sectors Fund and ICICI Strategic Investments Fund (schemes of ICICI Venture Capital Fund) dividend from equity shares is recognised on ex-dividend dates in respect of quoted companies and on the respective dates of the shareholders' resolution in the case of unquoted companies. Realised gains and losses on investments and units in Mutual Fund and unrealized gains or losses on restatement of units in Mutual Fund are dealt with in the Revenue Account. The cost of investments sold is determined on weighted average basis and the cost of units in Mutual Fund sold is determined on first-in, first-out basis for the purpose of calculating gains or losses on sale.

f) In case of Prudential ICICI Asset Management Company Limited, Investment Management and Portfolio Management Fees (inclusive of service tax) are recognised on an accrual basis in accordance with the respective terms of contract between the Company and Prudential ICICI Trust Limited and Portfolio Management Scheme ('PMS') Clients and Securities Exchange Board of India ("SEBI") regulations. Income on Asset Shield products under PMS is accrued over the term. The unaccrued portion of income is carried forward as a current liability. In the previous year such income for six month and one year Asset Shield products was recognised as income upfront.

**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 "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 published by FIMMDA.

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

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

Securities are valued scrip-wise and depreciation/appreciation aggregated for each category. Net appreciation 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 RBI guidelines.

g) Profit on sale of investments in the 'Held to Maturity' category is credited to the revenue account and is thereafter appropriated (net of applicable taxes and statutory reserve requirements) to Capital Reserve.

h) At the end of each reporting period, 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 year end.

**Other entities**

In case of ICICI Equity Fund, ICICI Eco-net Internet and Technology Fund, ICICI Emerging Sectors Fund and ICICI Strategic Investments Fund (schemes of ICICI Venture Capital Fund) purchase and sale of investments are accounted on the date the relevant contracts are executed. Subscriptions to / purchase of investments are accounted at the cost of acquisition inclusive of brokerage, commission and stamp duty. Front end fee, if any received from portfolio companies on equity investment is recorded as a recovery of a part of the cost of investment. Front end fee, if any received on loan investments is recorded through the Revenue Account. Bonus shares and right entitlements are recorded when such benefits are known.

In case of ICICI Equity Fund, ICICI Eco-net Internet and Technology Fund, ICICI Emerging Sectors Fund and ICICI Strategic Investments Fund (schemes of ICICI Venture Capital Fund) quoted investments are valued on the valuation date at the closing market price. Quoted investments that are not traded on the valuation date but are traded during the two months prior to the valuation date are valued at the latest known closing price. An appropriate discount is applied where the Asset Management Company considers it necessary to reflect restrictions on disposal. Quoted investments not traded during the two months' prior to the valuation date are treated as unquoted. Unquoted investments are valued in good faith at their estimated fair values by applying appropriate valuation methods. Unrealised gains and temporary losses on investments are recognised as components of investors' equity and are dealt with under Unrealised Investment Reserve. Where there is a decline, other than temporary in the carrying amounts of investments, the resultant reduction in the carrying amount is charged to the revenue account during the period in which such decline is identified.

ICICI Venture Funds Management Company Limited values its long-term investments at cost. Provision for diminution, if any, in the value of long-term investments is made to recognise a decline, which is not temporary. The said diminution is determined for each investment individually. Units and securities held for trading purposes are classified as stock in trade. Stock in trade is stated at lower of cost or market value.

In case of ICICI Home Finance Company Limited, investments that are readily realisable and intended to be held for not more than a year are classified as current investments which are carried at lower of cost or market value. All other investments are classified as long-term investments, which are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments. Cost such as brokerage, commission etc. paid at the time of acquisition of investments are included in investments cost.

ICICI International Limited values its investments in accordance with International Accounting Standard (IAS) 39 (Financial Instruments: Recognition and Measurement). Accordingly, the investment in the joint venture entity TCW/ICICI Investment Partners LLC is viewed as a strategic investment and has been recorded at cost. Available for sale investments are valued at fair value and the resulting temporary unrealised (gains)/losses (including unrealised foreign exchange (gains)/losses on retranslation at the closing rate, if any) are reported as a separate component of equity as "Investment Revaluation Reserve" till the underlying investment is sold or permanently written off, when the total realised (gains)/losses are included in the Income Statement.

ICICI Securities Limited, ICICI Brokerage Services Limited, ICICI Securities Inc., and ICICI Securities Holdings Inc., value the securities held as stock in trade at cost or market value whichever is lower and the securities acquired with the intention of holding till maturity or for a longer period are classified as investments. Investments are carried at cost arrived at on a weighted average basis. Appropriate provision is made for other than temporary diminution in the value of investments. Commission earned in respect of securities acquired upon devolvement is reduced from the cost of acquisition. ICICI Securities Limited values discounted instruments like commercial paper/ treasury bills/ zero coupon instruments at carrying cost. The difference between the acquisition cost and the redemption value of discounted instruments is apportioned on a straight line basis for the period of holding and recognised as interest income. Units of mutual fund are valued at lower of cost and net asset value.

In ICICI Bank UK Limited, debt securities are held for investment purposes and are stated at cost (as adjusted for discounts and premiums) less provision for impairment.

ICICI Bank Canada classifies investments into investment account securities or trading account securities. Investment account securities comprise debt and equity securities, originally purchased with the intention of holding to maturity or for a pre-determined period of time, which may be sold in response to changes in investment objectives arising from changing market conditions or to meet liquidity requirements. Debt securities are carried at amortised cost and equity securities are carried at cost. Straight-line method is used for the amortisation of premiums and discounts on debt securities. The fair values of securities are based on quoted market prices wherever applicable; otherwise, fair values are estimated using quoted market values for similar securities or third party evidence, as available.

In case of Prudential ICICI Asset Management Company Limited, investments are classified as long term or current based on intention of the management at the time of purchase. Long-term investments are carried at carrying cost less any other than temporary diminution in value, determined separately for each individual investment. Current investments are valued at the lower of cost or net realisable value. Purchase and sale of investments are recorded on trade date. The gains/ losses on sale of investments are recognised in the profit and loss account on the trade day.

Other entities value their investments as per AS 13 "Accounting for Investments" issued by ICAI.

**Insurance joint ventures**

ICICI Prudential Life Insurance Company Limited and ICICI Lombard General Insurance Company Limited record their investments at cost on the date of purchase, which includes brokerage, transfer charges, stamps and taxes, if any and excludes interest paid on purchases. Investments maturing within twelve months from the balance sheet date and investments made with the specific intention to dispose off within twelve months from the balance sheet date are classified as short-term investments. Investments other than short term are classified as long-term investments.

All debt securities are considered as 'held to maturity' and accordingly stated at historical cost, subject to amortisation of premium or accretion of discount in the revenue account or the profit and loss account over the period of maturity/holding on a straight line basis.

Listed equity shares as at the balance sheet date are stated at fair value being the last quoted closing price on the National Stock Exchange or The Stock Exchange, Mumbai. Mutual fund units as at the balance sheet date are valued at the previous day's net asset values. Equity shares awaiting listing are stated at historical cost subject to provision for diminution, if any, in the value of such investment determined separately for each individual investment. The unrealised gain / loss arising on account of such valuation is taken to "Fair Value change account" and carried forward in the balance sheet. Investment in real estate is valued at historical cost, subject to provision for impairment, if any. Revaluation of investment in real estate is done at least once in every three years.

Government securities issued by Government of India are valued at prices obtained from Credit Rating Information Services of India Ltd. ('CRISIL'). Government securities issued by various State Governments of India are valued at historical cost, subject to amortisation of premium or accretion of discount in the revenue account of linked funds over the period of maturity/holding on a straight-line basis. Debt securities other than Government securities are valued on the basis of CRISIL Bond Valuer.

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

**ICICI Bank Limited**

a) All credit exposures are classified as per 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 RBI. Provisions are made on sub-standard and doubtful assets at rates equal to or higher than those prescribed by RBI. Loss assets and unsecured portion of doubtful assets are provided/written off as per the extant RBI guidelines. 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.

In accordance with RBI guidelines on graded higher provisioning norms for the secured portion of doubtful assets, the Bank makes a 100% provision on the secured portion of assets classified as doubtful for more than three years. Further, as permitted by the said guidelines, assets classified as doubtful for more than three years at March 31, 2004 are fully provided for in a graded manner over three years (i.e. 60% by March 31, 2005, 75% by March 31, 2006 and 100% by March 31, 2007).

b) For restructured/rescheduled assets, provision is made in accordance with the guidelines issued by 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 subjected to restructuring, asset category is upgraded to standard 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 a fair valuation exercise carried out by an independent firm. To the extent provisions are required in respect of 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 specific provision on NPAs, the Bank maintains a general provision on performing loans. The general provision adequately covers the requirements of the RBI guidelines.

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 1% of the total funded assets, no provision will be maintained on such country exposure.

**Other entities**

In case of ICICI Securities Limited, the policy of provisioning against non performing loans and advances has been decided by the management considering prudential norms prescribed by the RBI for Non Banking Financial Companies except that amounts recovered subsequent to the balance sheet date have not been considered for provisioning. As per the policy adopted, the provision against sub standard assets are fixed on a conservative basis, taking into account management's perception of the higher risk associated with the business of the company. Certain non-performing loans and advances are considered as loss assets and full provision has been made against such assets.

In case of ICICI Home Finance Company Limited, loans and other credit facilities are classified as per the NHB guidelines into performing and non-performing assets. Further non-performing assets classified into sub standard, doubtful and loss assets based on criteria stipulated by NHB. Additional provision is made against specific non performing assets over and above what is stated above, if in the opinion of the management, increased provisions are necessary. The company 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.

In case of ICICI Bank Canada, loans are stated net of an allowance for credit losses. Loans are classified as impaired when there is no longer reasonable assurance of the timely collection of the full amount of principal or interest. An allowance for credit losses is maintained at a level that management considers adequate to absorb identified credit related losses as well as losses that have been incurred but not yet identifiable.

**4. Transfer and servicing of financial assets**

The Bank transfers commercial and consumer loans through securitisation transactions. The transferred loans are de-recognised and gains / losses are recorded only if the Bank surrenders the right to benefits specified in the loan contract. Recourse and servicing obligations are reduced from proceeds of the sale. Retained beneficial interests in the loans is measured by allocating the carrying value of the loans between the assets sold and the retained interest, based on the relative fair value at the date of the securitisation.

**5. Fixed assets and depreciation**

**ICICI Bank Limited**

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% |
| EDC Terminals | 16.67% |
| 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 fully over a period of 12 months from the date of purchase.

**Other entities**

a) 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.

b) In case of ICICI Securities Limited, ICICI Brokerage Services Limited,and ICICI Securities Holdings Inc., depreciation on assets, other than improvements to leased property and Membership rights of the stock exchange, Mumbai, is charged on written down value method at the rates which are greater than or equal to the provisions of Schedule XIV of the Companies Act, 1956. Membership rights of stock exchanges is treated as an asset and the value paid to acquire such rights is amortized over a period of 10 years.

c) In case of Prudential ICICI Asset Management Company Limited, fixed assets other than leasehold improvements and software development and licensing costs are depreciated at written down value method based on economic lives of the assets as estimated by the management.

d) In case of ICICI Bank Canada and ICICI Bank UK Limited, 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.

e) In case of ICICI Prudential Life Insurance Company Limited, assets costing upto Rs. 20,000 (Rupees twenty thousand) are fully depreciated in the year of acquisition. Intangible assets comprising of software are stated at cost less amortization. Significant improvements to software are capitalized with the insignificant improvements being charged off as software expenses. Software expenses are amortized on Straight Line Method over a period of 3 years from the date of put to use, being the Management's estimate of the useful life of such intangibles.

f) In case of ICICI Lombard General Insurance Company Limited, software costing less than Rs. 500,000 was fully written off in the year of acquisition. However software acquired on or after April 1,2004 and costing less than Rs. 500,000 are depreciated @ 20 percent.

**6. Foreign currency transactions**

**ICICI Bank Limited**

a) Foreign currency income and expenditure items of domestic operations are translated at the exchange rates prevailing on the date of the transaction, income and expenditure items of integral foreign operations (representative offices) are translated at weekly average closing rate, and income and expenditure of non integral foreign operations (foreign branches and off-shore banking units) are translated at quarterly average closing rate.

b) Monetary foreign currency assets and liabilities of domestic and integral foreign operations are translated at closing exchange rates notified by Foreign Exchange Dealers' Association of India ("FEDAI") at the balance sheet date and the resulting profits/losses are included in the profit and loss account.

c) Both monetary and non-monetary foreign currency assets and liabilities of non integral foreign operations are translated at closing exchange rates notified by FEDAI at the balance sheet date and the resulting profits/losses exchange differences are accumulated in the foreign currency translation reserve until the disposal of the net investment in the non integral foreign operations.

d) 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.

e) 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**

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

In translating the financial statements of the above-mentioned non-integral foreign operations, all monetary items have been translated at the rate prevailing at the balance sheet date. All Profit and Loss items have been translated at the average rate prevailing during the financial year.

Share Capital has been translated at the original rate when the capital was infused and the difference on account of exchange rate has been transferred to Translation Reserve. The opening block of fixed assets have been translated at the opening rate prevailing at the beginning of the year. Additions / Deductions made to fixed assets have been translated at the average rate prevailing during the year. Similar treatment has been given to accumulated depreciation on fixed assets.

**7. 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/off-balance sheet assets and liabilities or for trading purposes.

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

Foreign currency and rupee derivatives, which are entered for trading purposes, are marked to market and the resulting gain/loss, (net of provisions, if any) is recorded in the profit and loss account.

**Other entities**

In case of ICICI Securities Limited and ICICI Brokerage Services Limited,

1. All open positions are marked to market.
2. Gains are recognised only on settlement / expiry of the derivative instruments except for Interest Rate derivatives where even mark-to-market gains are recognised.
3. Debit/ credit balance on open position are disclosed as current assets / current liabilities, as the case may be.

In case of ICICI Bank UK Limited, trading book derivatives are carried at fair value in the balance sheet within other assets and other liabilities. Positive and negative fair values of trading derivatives are offset where contracts have been entered into under master netting agreements or other arrangements that represents legally enforceable right of set-off which will survive the liquidation of either party. Gains and losses are taken directly to the profit and loss account and reported within Foreign exchange dealing profits. The income and expense arising from off - balance sheet financial derivatives entered into for hedging purposes is recognised in the accounts in accordance with the accounting treatment of the underlying transactions or transactions being hedged. All off- balance sheet financial derivatives are held for the period in which the underlying hedge matures.

**8. 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.

**9. Staff retirement benefits**

**ICICI Bank Ltd.**

For employees covered under group gratuity scheme of Life Insurance Corporation of India ("LIC")/ICICI Prudential Life Insurance Company Limited ("ICICI Prulife"), gratuity charge to profit and loss account is on the basis of premium charged. For employees covered under group superannuation scheme of LIC, the superannuation charged to profit and loss account is on the basis of premium charged by LIC. Provision for gratuity for other employees and leave encashment liability are determined as per actuarial valuation at year-end. 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.

**Other entities**

In case of ICICI Bank UK Limited, contributions to the pension scheme are charged to the profit and loss account when paid.

**10. 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 assets and liabilities are measured using tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date. The impact on account of changes in the deferred tax assets and liabilities is also recognised in the profit and loss account.

Deferred tax assets are recognised and reassessed at each reporting date, based upon management's judgement as to whether realisation is considered 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.

**11. Impairment of assets**

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life. A previously recognised impairment loss is increased or reversed depending on changes in circumstances. However the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment. As on March 31, 2005 there were no events or changes in circumstances, which indicate any impairment in the carrying value of the assets covered by AS 28.

**12. Accounting for contingencies**

The Bank estimates the probability of any loss that might be incurred on outcome of contingencies on the basis of information available up to the date on which the financial statements are prepared. A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are determined based on management estimate required to settle the obligation at the balance sheet date, supplemented by experience of similar transactions. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates. In cases where the available information indicates that the loss on the contingency is reasonably possible but the amount of loss cannot be reasonably estimated, a disclosure is made in the financial statements. In case of remote possibility neither provision nor disclosure is made in the financials.

**13. Earnings per share**

Basic and diluted earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Diluted earnings per equity share has been computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the period, except where the results are anti-dilutive.

**14. 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.

**15. Others**

**a. Reinsurance premium of insurance business**

In case of general insurance business, insurance premium on ceding of the risk is recognised in the year in which the risk commences. Any subsequent revision to premium ceded is recognised in the year of revision. Adjustment to reinsurance premium arising on cancellation of policies is recognised in the year in which it is cancelled. In case of life insurance business, reinsurance premium ceded is accounted in accordance with the treaty or in-principle arrangement with the reinsurer.

**b. Claims and benefits paid**

In case of general insurance business, claims comprise claims paid, estimated liability for outstanding claims made following a loss occurrence reported and estimated liability for claims Incurred But Not Reported ('IBNR') and claims Incurred But Not Enough Reported ('IBNER'). Further, claims incurred also include specific claim settlement costs such as survey / legal fees and other directly attributable costs.

Claims (net of amounts receivable from reinsurers/coinsurers) are recognised on the date of intimation of the loss.

Estimated liability for outstanding claims at Balance Sheet date is recorded net of claims recoverable from/ payable to co-insurers/reinsurers and salvage to the extent there is certainty of realisation. Estimated liability for outstanding claims is determined by management on the basis of ultimate amounts likely to be paid on each claim based on past experience. These estimates are progressively revalidated on availability of further information.

IBNR represents that amount of claims that may have been incurred during the accounting period but have not been reported or claimed. The IBNR provision also includes provision, if any, required for claims IBNER. IBNR/IBNER liabilities are based on an actuarial estimate duly certified by the Appointed Actuary of the company.

In case of life insurance business, claims other than maturity claims are accounted for on receipt of intimation. Maturity claims are accounted when due for payment. Reinsurance on such claims is accounted for, in the same period as the related claims. Withdrawals under linked policies are accounted in the respective schemes.

**c. Reserve for unexpired risk**

Reserve for unexpired risk is recognised net of reinsurance ceded and represents premium written that is attributable and to be allocated to succeeding accounting periods for risks to be borne by the company under contractual obligations. It is calculated on a daily pro-rata basis subject to a minimum of 50% of the premium, written during the twelve months preceding the balance sheet date for fire, marine, cargo and miscellaneous business and 100% for marine hull business, in accordance with section 64 V, (1) (ii) (b) of the Insurance Act, 1938.

**d. Acquisition costs**

Acquisition costs are those costs that vary with, and are primarily costs related to the acquisition of new and renewal insurance contracts viz. commission, policy issue expenses, etc. These costs are expensed in the year in which they are incurred.

**e. 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.

**f. Actuarial method and valuation**

In case of life insurance business, the actuarial valuation liability on both participating and non-participating policies is calculated using the gross premium method. The gross premium reserves are calculated using assumptions for interest, mortality, expense, and inflation and in the case of participating policies, the future bonuses together with allowance for taxation and allocation of profits to shareholders. These assumptions are determined as prudent estimates at the date of valuation with allowances for adverse deviations.

For the participating policies and non-participating term insurance policies, the interest rates used for valuation are in the range of 4% to 7% per annum (Previous year - 4% to 6% per annum). For non participating single premium investment policies which are maintained as a hedged portfolio, the interest rates used for valuation range from 4.7% to 10% per annum (Previous year - 4.7% to 10% per annum).

The valuation has been carried out without assuming lapses or policies becoming paid up. Mortality rates used are based on the published L.I.C. (1994 - 96) Ultimate Mortality Table, adjusted to reflect expected experience and allowances for adverse deviation. The method of unearned premium for the unexpired portion of the risk has been adopted for the general fund liabilities of linked business and riders there under, and one year renewable group term insurance.

The unit liability in respect of linked business has been valued on the basis of the units, to the credit of policyholders, as on the valuation date. The adequacy of charges under unit-linked policies to meet future expenses has been tested and provision has been made as appropriate. Provision has also been made for the cost of guarantee under unit-linked products that carry a guarantee.

**g. Premium deficiency**

Premium deficiency is recognised when the sum of expected claim costs and related expenses exceed the reserve for unexpired risks and is computed at a business segment level.

**h. Brokerage and incentives**

In case of Prudential ICICI Asset Management Company Limited, brokerage and incentives paid on the subscriptions raised during the initial offer period of the first three open ended schemes of the Fund offering benefits under Section 54EB of the Income tax Act, 1961 are charged to profit and loss account over the period of eighty four months.

Brokerage on Asset Shield products under PMS are amortised over the term. The unamortised portion of the brokerage is carried forward as prepaid expense. In the previous year such expenses for six month and one year Asset Shield products was charged as expense upfront.

## B. NOTES FORMING PART OF THE ACCOUNTS

### 1. Preference shares

Certain Government Securities amounting to Rs. 1,952.3 million (March 31, 2004: Rs. 1,455.1 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.

**forming part of the Consolidated Accounts** *(Contd.)*

**2. Subordinated debt**

Subordinated debt includes index bonds amounting to Rs. 117.1 million (March 31, 2004: Rs. 105.1 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.

**3. Employee Stock Option Scheme ("ESOS")**

In terms of the ESOS, as amended, the maximum number of options granted to any eligible employee in a financial year shall not exceed 0.05% of the issued equity shares of the Bank at the time of grant of the options and aggregate of all such options granted to the eligible employees shall not exceed 5% of the aggregate number of the issued equity shares of the Bank on the date (s) of the grant of options.

In terms of the Scheme, 18,215,335 options (March 31, 2004: 15,964,982 options) granted to eligible employees were outstanding at March 31, 2005.

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

| | **Year ended March 31, 2005** | *Year ended March 31,2004* |
|---|---|---|
| | **Option shares outstanding** | *Option shares outstanding* |
| Outstanding at the beginning of the year | **15,964,982** | *12,610,275* |
| Add: Granted during the year | **7,554,500** | *7,491,800* |
| Less : Forfeited/lapsed during the year | **846,496** | *766,489* |
| Exercised during the year* | **4,457,651** | *3,370,604* |
| Outstanding at the end of the year | **18,215,335** | *15,964,982* |

** Excludes options exercised but not allotted.*

**4. Early retirement option ("ERO")**

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

The ex-gratia payments under ERO and termination benefits and leave encashment in excess of the provision made (net of tax benefits), aggregating to Rs. 1,910.0 million (March 31, 2004: 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).

On account of the above ERO scheme, an amount of Rs. 384.0 million (March 31, 2004: Rs. 256.0 million) has been charged to revenue being the proportionate amount amortised for the year ended March 31, 2005.

**5. Deferred tax**

On March 31, 2005, the Group has recorded net deferred tax asset of Rs. 702.2 million, (March 31, 2004: Rs. 4,628.8 million) which has been included in Other Assets.

The analysis of deferred tax assets and liabilities into major items is given below:

(Rupees in million)

| Particulars | **March 31, 2005** | *March 31, 2004* |
|---|---|---|
| Deferred tax asset | | |
| Provision for bad and doubtful debts | **7,285.5** | *13,664.6* |
| Others | **1,199.4** | *254.3* |
| | **8,484.9** | *13,918.9* |
| Less: Deferred tax liability | | |
| Depreciation on fixed assets | **7,561.1** | *9,001.5* |
| Others | **221.6** | *288.6* |
| | **7,782.7** | *9,290.1* |
| Net Deferred Tax Asset/ (Liability) | **702.2** | *4,628.8* |

**6. Related party transactions**

The Group has transactions with its related parties comprising of joint ventures, associates and key management personnel. The following represent the significant transactions between the Group and such related parties:

**Lease of premises and facilities**

During the year ended March 31, 2005, the Bank charged for lease of premises, facilities and other administrative costs to joint ventures amounting to Rs. 3.4 million (March 31, 2004: Rs. 186.1 million).

**Interest received**

During the year ended March 31, 2005 the Bank received interest from its Key management personnel@ amounting to Rs. 0.3 million (March 31, 2004: Rs. 0.4 million).

**Interest paid**

During the year ended March 31, 2005, the Bank paid interest to joint ventures amounting to Rs. 18.9 million (March 31, 2004: Rs. 26.1 million).

**Remuneration to whole-time directors**

Remuneration paid to the whole-time directors of the Bank during the year ended March 31, 2005 was Rs. 60.5 million (March 31, 2004: Rs. 58.5 million).

**Sale of investments**

During the year ended March 31, 2005, the Bank sold certain investments to joint ventures amounting to Rs. 3,637.3 million (March 31, 2004: Rs. 219.6 million). On the sales made to joint ventures the Bank accounted for a loss of Rs. 14.6 million (Profit for March 31, 2004: Rs. 5.1 million).

**Purchase of investments**

During the year ended March 31, 2005, the Bank purchased certain investments from its joint ventures amounting to Rs. 5,001.2 million (March 31, 2004: Rs. 1,240.9 million).

**Custodial charges received**

During the year ended March 31, 2005, the Bank received custodial charges from its joint ventures amounting to Rs. 1.7 million (March 31, 2004: Rs. 2.4 million).

**Fees**

During the year ended March 31, 2005, the Bank received cash management services fees from its joint ventures amounting to Rs. 14.5 Million (March 31, 2004:Rs. 19.9 million).

**Related party balances**

The following balances payable to/receivable from the related parties are included in the balance sheet as on March 31, 2005:

(Rupees in million)

| Items/Related Party | Joint ventures and Associates | Key Management Personnel @ | Total |
|---|---|---|---|
| Deposits with ICICI Bank | 2.0 | 37.1 | 39.1 |
| Advances | 0.9 | 19.1 | 20.0 |
| Investments of ICICI Bank | 67.1 | — | 67.1 |
| Investments of related parties in ICICI Bank | — | 2.3 | 2.3 |
| Receivables | — | — | — |
| Payables .. | — | — | — |

**forming part of the Consolidated Accounts** *(Contd.)*

The following balances represent the maximum balance payable to/receivable from related parties during the year ended March 31, 2005:

(Rupees in million)

| Items/Related Party | Joint ventures and Associates | Key Management Personnel @ | Total |
|---|---|---|---|
| Deposits with ICICI Bank | 64.5 | 196.1 | 260.6 |
| Advances | 0.9 | 19.1 | 20.0 |
| Investments of ICICI Bank | 67.1 | — | 67.1 |
| Investments of related parties in ICICI Bank | — | 2.3 | 2.3 |
| Receivables | — | — | — |
| Payables .. | — | — | — |

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 |
|---|---|---|---|
| Deposits with ICICI Bank | 964.8 | 23.1 | 987.9 |
| Advances | — | 10.2 | 10.2 |
| Investments of ICICI Bank | 6,690.1 | — | 6,690.1 |
| Investments of related parties in ICICI Bank | — | 2.0 | 2.0 |
| Receivables | 251.7 | — | 251.7 |
| Payables | 10.6 | — | 10.6 |

The following balances represent the maximum balance payable to/receivable from related parties during the year ended March 31, 2004:

(Rupees in million)

| Items/Related Party | Joint ventures and Associates | Key Management Personnel @ | Total |
|---|---|---|---|
| Deposits with ICICI Bank | 1,191.2 | 94.0 | 1,285.2 |
| Advances | — | 14.8 | 14.8 |
| Investments of ICICI Bank | 6,690.1 | — | 6,690.1 |
| Investments of related parties in ICICI Bank | — | 2.0 | 2.0 |
| Receivables | 251.7 | — | 251.7 |
| Payables | 10.6 | — | 10.6 |

@ whole time directors of the Board and their relatives.

**Joint ventures and associates**

For the year ended March 31, 2005, Prudential ICICI Asset Management Company Limited, Prudential ICICI Trust Limited and TCW/ICICI Investment Partners L,L,C, have been classified under joint ventures and associates whereas for the year ended March 31, 2004 apart from the entities mentioned above, ICICI Prudential Life Insurance Company Limited and ICICI Lombard General Insurance Company Limited were also classified under joint ventures. These entities have been accounted as “subsidiaries” as defined in AS 21 “Consolidated Financial Statement”, in the current financial year.

**7. Earnings per share ("EPS")**

The group reports basic and diluted earnings per equity share in accordance with AS 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.

The computation of earnings per share is given below:

Rupees in million except per share data

| | **March 31, 2005** | *March 31, 2004* |
|---|---|---|
| **Basic** | | |
| Weighted average no. of equity shares outstanding | **727,728,042** | *614,157,868* |
| Net profit | **18,523.3** | *15,803.8* |
| Basic earnings per share (Rs.) | **25.45** | *25.73* |
| **Diluted** | | |
| Weighted average no. of equity shares | **733,720,485** | *619,201,380* |
| Net profit | **18,523.3** | *15,803.8* |
| Diluted earnings per share (Rs.) | **25.25** | *25.52* |
| Nominal value per share (Rs.) | **10.0** | *10.0* |

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

**8. Assets given under lease**

**8.1 Assets given under operating lease**

The future lease rentals are given in the table below:

(Rupees in million)

| Period | **March 31, 2005** | *March 31, 2004* |
|---|---|---|
| Not later than one year | **239.2** | *234.4* |
| Later than one year and not later than five years | **1,001.8** | *981.9* |
| Later than five years | **311.2** | *571.0* |
| Total | **1,552.2** | *1,787.3* |

**8.2 Assets taken under operating lease**

The future lease rental commitments are given in the table below:

(Rupees in million)

| Period | **March 31, 2005** | *March 31, 2004* |
|---|---|---|
| Not later than one year | **369.5** | *156.1* |
| Later than one year and not later than five years | **1,386.4** | *346.6* |
| Later than five years | **586.4** | *40.0* |
| Total | **2,342.3** | *542.7* |

**8.3 Assets given under finance lease**

The future lease rentals are given below :

(Rupees in million)

| Period | **March 31, 2005** | *March 31, 2004* |
|---|---|---|
| Total of future minimum lease payments | **1,105.5** | *1,792.9* |
| Present value of lease payments | **913.6** | *1,417.8* |
| Unmatured finance charges | **191.9** | *375.1* |
| Maturity profile of total of future minimum lease payments | | |
| Not later than one year | **293.3** | *397.0* |
| Later than one year and not later than five years | **804.5** | *1,255.6* |
| Later than five years | **7.7** | *140.3* |
| Total | **1,105.5** | *1,792.9* |

**forming part of the Consolidated Accounts** *(Contd.)*

Maturity profile of present value of lease payments

(Rupees in million)

| | March 31, 2005 | March 31, 2004 |
|---|---|---|
| - Not later than one year | **222.8** | *276.5* |
| - Later than one year and not later than five years | **683.3** | *1,008.7* |
| - Later than five years | **7.5** | *132.6* |
| Total | **913.6** | *1,417.8* |

**9. Others**

a. Exchange fluctuation

Exchange fluctuation aggregating Rs. 244.7 million (March 31, 2004 : Rs. 577.8 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. 794.7 million (debit) (March 31, 2004: Rs. 677.0 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.

**10. Provision for non-performing assets**

In its circular dated DBOD.BP.BC 99/21.04.048/2003-2004 dated June 21, 2004 RBI has introduced graded higher provisioning norms which would require a bank to make 100% provision on the secured portion of the doubtful assets outstanding for more than three years in doubtful category instead of the earlier requirement of 50% provision. However, RBI has allowed banks to make 100% provision on the existing assets which are in doubtful category for more than three years as on March 31, 2004 till March 31, 2007 in a graded manner (i.e. 60% as on March 31, 2005, 75% as on March 31, 2006 and 100% as on March 31, 2007). Accordingly the Bank has adopted the revised RBI guidelines.

The impact of the adoption of the revised guidelines on the profit and loss account is not significant.

**11. Changes in accounting policies**

**ICICI Bank Limited**

Effective April 1, 2004 the commissions paid to direct marketing agents (DMAs) of auto loans, net of subvention income received from them, is recorded upfront in the profit and loss account. For disbursements made till March 31, 2004, the gross commissions paid to direct marketing agents (DMAs) of auto loans were recorded upfront in the profit and loss account and subvention income received from them is being amortised over the life of the loan. The impact of the change is not significant.

Effective April 1, 2004, the Bank has accounted for the unrealised gain on rupee interest rate derivatives (net of provisions, if any) as compared to its earlier policy of ignoring such unrealised gains. As a result the profit after tax for the current year is higher by Rs. 296.3 million.

**Other entities**

a) In case of ICICI Lombard General Insurance Company Limited, effective April 1, 2004 software costing less than Rs. 500,000 are depreciated @ 20%. Had the company continued to follow the accounting policy followed in previous year, the amount transferred to shareholder's account, operating profit, profit before tax and net block of fixed assets would have been lower by Rs. 20.0 million and accumulated depreciation would have been higher by Rs. 20.0 million.

b) ICICI Securities Limited has changed its method of accounting for interest rate swaps. Hitherto, mark-to-market gains on open interest rate swaps positions were not recognised. The company has started recognising gains on all open IRS positions. However, there is no impact on the profits for the period ended March 31, 2005 since the Company does not have mark-to-market gains on open IRS positions as at March 31, 2005.

c) ICICI Strategic Investments Fund has changed the method of valuation of investments from cost less permanent impairments, to fair value. This constitutes change in accounting policy, and as a result investments are higher by Rs. 2,083.7 million.

**12. Transfer of investments from AFS to HTM Category**

During the year ended March 31, 2005, the Bank has transferred investments amounting to Rs. 213,489.4 million from Available for Sale category to Held to Maturity category in accordance with RBI circular: DBOD.No.BP.BC.37/21.04.141/2004-05 dated September 2, 2004. The difference between the book value of each investment and the lower of its acquisition cost and market value on the date of transfer,amounting to Rs. 1,828.2 million has been provided for in the profit and loss account.

**13.** Pursuant to the resolution passed at the meeting of the Board of Directors of ICICI Venture Funds Management Company Limited (IVFMCL), held on July 21, 2004, IVFMCL has decided not to carry on activities of Non Banking Financial Companies, under section 45-1A(6)(i) and applied to Reserve Bank of India for cancellation of certificate as a Non Banking Financial Company. The Reserve Bank of India vide its order dated September 27, 2004 has cancelled as surrendered, the certificate of registration granted to the company. Consequently the Statutory Reserve, created in pursuance of section 45-IC of the Reserve Bank of India (Amendment) Act, 1997, amounting to Rs. 210.0 million has been treated as free reserve and transferred to General Reserve.

**14**. The Board of Directors of the company in their meeting held on March 17, 2005 have approved draft scheme of amalgamation of the ICICI Distribution Finance Private Ltd into ICICI Home Finance Company Limited which is subject to the approval of shareholders and sanction of High Court, Mumbai.

**15. 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 operations 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, ICICI Brokerage Services Limited, ICICI Securities Inc., and ICICI Securities Holdings Inc., ICICI Venture Funds Management Company Limited, ICICI Eco-net Internet & Technology Fund, ICICI Equity Fund, ICICI Strategic Investments Fund, ICICI Emerging Sectors Fund and ICICI International Limited.
- **Others** comprising ICICI Lombard General Insurance Company Limited, ICICI Prudential Life Insurance company Limited, Prudential ICICI AMC Limited, Prudential ICICI Trust Limited, ICICI Property Trust, ICICI Investment Management Company Limited, ICICI Trusteeship Services Limited and TCW/ICICI Investment Partners LLC. 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, 2005 and segmental profit & loss account for the year ended March 31, 2005 have been prepared.

(Rupees in million)

| | Particulars | Consumer and commercial banking | | Investment banking | | Others | | Total | |
|---|---|---|---|---|---|---|---|---|---|
| | | **For the year ended 31.03.05** | *For the year ended 31.03.04* | **For the year ended 31.03.05** | *For the year ended 31.03.04* | **For the year ended 31.03.05** | *For the year ended 31.03.04* | **For the year ended 31.03.05** | *For the year ended 31.03.04* |
| 1 | Revenue (before extraordinary profit) ............. | **108,779.9** | *97,052.3* | **32,599.2** | *39,140.3* | **37,033.0** | *13,913.3* | **178,412.1** | 150,105.9 |
| 2 | Less: Inter segment revenue | — | — | — | — | — | — | **(9,102.8)** | (11,049.0) |
| 3 | Total revenue (1) -(2) ............ | — | — | — | — | — | — | **169,309.3** | 139,056.9 |
| 4 | Operating profit (i.e. Profit before unallocated expenses, extraordinary profit, provision, and tax) ................ | **19,965.0** | *13,148.9* | **10,439.3** | *13,625.0* | **(1,606.8)** | *(1,071.8)* | **28,797.5** | 25,702.1 |
| 5 | Unallocated expenses ......... | — | — | — | — | — | — | **384.0** | 256.0 |
| 6 | Provisions ............................ | **1,150.9** | *5,803.2* | **3,478.4** | *440.7* | **(422.9)** | — | **4,206.4** | 6,243.9 |
| 7 | Profit before tax (4)-(5)-(6) ..... | **18,814.1** | *7,345.7* | **6,960.9** | *13,184.3* | **(1,183.9)** | *(1,071.8)* | **24,207.1** | 19,202.2 |
| 8 | Income tax expenses (net) / (net deferred tax credit) | — | — | — | — | — | — | **5,683.8** | 3,398.4 |
| 9 | Net Profit (7)-(8) ................... | — | — | — | — | — | — | **18,523.3** | 15,803.8 |
| **Other Information** | | | | | | | | | |
| 10 | Segment assets .................. | **1,118,447.3** | *799,639.3* | **588,286.8** | *463,233.4* | **47,778.1** | *18,300.8* | **1,754,512.2** | 1,281,173.5 |
| 11 | Unallocated assets ............. | — | — | — | — | — | — | **28,915.3** | 26,302.6 |
| 12 | Total assets (10)+(11) ........ | — | — | — | — | — | — | **1,783,427.5** | 1,307,476.1 |
| 13 | Segment liabilities ............... | **1,353,714.3** | *1,003,090.2* | **389,689.1** | *292,912.8* | **40,024.1** | *11,473.1* | **1,783,427.5** | 1,307,476.1 |
| 14 | Unallocated liabilities .......... | — | — | — | — | — | — | — | — |
| 15 | Total liabilities (13)+(14) ...... | — | — | — | — | — | — | **1,783,427.5** | 1,307,476.1 |

**forming part of the Consolidated Accounts** *(Contd.)*

The business operations of the Group are largely concentrated in India. The assets and income from foreign operations are not significant to the overall operations of the Bank and have accordingly not been disclosed.

**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**

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

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Signatures to schedules 1 to 18

For and on behalf of 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, 2005*

JYOTIN MEHTA
*General Manager & Company Secretary*

N. S. KANNAN
*Chief Financial Officer & Treasurer*

G. VENKATAKRISHNAN
*General Manager - Accounting & Taxation Group*

## Financial information of subsidiaries for the year ended March 31, 2005

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 | ICICI Lombard General Insurance Company Limited | ICICI International Limited | ICICI Distribution Finance Private Limited | ICICI Bank UK Limited | ICICI Bank Canada |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Paid-Up Share Capital | 2,030.0 | 45.0 | 48.3 | 75.0 | 1,550.0 | 0.5 | 100.0 | 23.4 | 9,250.0 | 2,200.0 | 17.5 | 87.5 | 6,561.8 | 902.1 |
| Reserves | 2,160.6 | 419.2 | (7.8) | (21.1) | 365.5 | 0.8 | 18.0 | 343.1 | (6,332.0) | 360.6 | 5.6 | 451.0 | 1.0 | (205.0) |
| Total Assets | 13,727.5 | 866.2 | 54.5 | 55.7 | 30,911.9 | 1.6 | 122.5 | 486.7 | 41,269.0 | 7,689.2 | 25.7 | 629.8 | 44,565.7 | 4,514.9 |
| Total Liabilities (excluding Capital and Reserves) | 9,536.9 | 402.0 | 14.0 | 1.8 | 28,996.4 | 0.3 | 4.5 | 120.2 | 38,351.0 | 5,128.6 | 2.6 | 91.3 | 38,002.9 | 3,817.8 |
| Investments (excluding investments in subsidiaries) | 721.5 | - | - | 48.3 | 320.5 | - | 14.4 | 231.0 | 11,254.9 | 4,640.9 | 13.1 | - | 7,365.8 | 2,189.5 |
| Turnover - (Gross Income from Operations) | 564.8 | 471.3 | 43.3 | 6.9 | 2,314.8 | 0.3 | 7.3 | 676.3 | 24,294.0 | 8,851.7 | 4.5 | 7.7 | 1,002.3 | 64.6 |
| Profit before Tax (PBT) | 844.6 | 137.6 | 1.0 | (13.4) | 137.6 | 0.3 | 3.5 | 501.1 | (2,224.1) | 538.7 | - | 19.5 | 124.2 | (287.6) |
| Provision for Taxation | 280.6 | 53.2 | - | - | 37.5 | 0.1 | 1.4 | 177.1 | (107.9) | 55.3 | - | 3.4 | 24.9 | (82.6) |
| Profit after Tax (PAT) | 564.0 | 84.4 | 1.0 | (13.4) | 100.1 | 0.2 | 2.1 | 324.0 | (2,116.2) | 483.4 | - | 16.1 | 99.3 | (205.0) |
| Proposed Equity Dividend | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

Notes:

1. The above financial information of the subsidiaries is for the year ended March 31, 2005 except ICICI Bank Canada, which is for the period September 12, 2003 to December 31, 2004 (first financial year).
2. ICICI Brokerage Services Limited and ICICI Securities Holdings Inc. are wholly owned subsidiaries of ICICI Securities Limited. ICICI Securities Inc. is a wholly owned subsidiary of ICICI Securities Holdings Inc. Hence ICICI Brokerage Services Ltd, ICICI Securities Holdings Inc. and ICICI Securities Inc. are indirect subsidiaries of ICICI Bank.The financials of ICICI Securities Holdings Inc. and ICICI Securities Inc. have been translated into Indian Rupees as per the provisions of AS-11-Accounting for the 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 31,2005 of 1 USD = Rs 43.745.
4. The Paid-up Share capital of ICICI Home Finance Company Limited, ICICI Bank Canada and ICICI Bank UK Limited includes Paid-up Preference Share capital of Rs 150.0 million, Rs 335.2 million and Rs 2,187.3 million, respectively.
5. The financials of ICICI Bank Canada have been translated into Indian Rupees at the closing rate on December 31, 2004 of 1 CAD = Rs 36.0825

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, 2005*

JYOTIN MEHTA
*General Manager & Company Secretary*

N. S. KANNAN
*Chief Financial Officer & Treasurer*

G. VENKATAKRISHNAN
*General Manager - Accounting & Taxation Group*

# EXTRACTS FROM THE CONSOLIDATED US GAAP FINANCIAL STATEMENTS OF ICICI BANK LIMITED AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED MARCH 31, 2005

## Contents

# consolidated balance sheets

ICICI Bank

*(in millions, except share data)*

| at March 31, | 2004 | 2005 | 2005 |
|---|---|---|---|
| | | | Convenience translation into US$ |
| | *Rs.* | **Rs.** | **US$** |
| **Assets** | | | |
| Cash and cash equivalents | *98,985* | **155,639** | **3,568** |
| Trading assets | *75,155* | **75,538** | **1,732** |
| Securities: | | | |
| Available for sale | *296,605* | **369,818** | **8,478** |
| Non-readily marketable equity securities | *8,621* | **7,209** | **165** |
| Venture capital investments | *5,142* | **3,932** | **90** |
| Investments in affiliates | *3,619* | **4,725** | **108** |
| Loans, net of allowance for loan losses, security deposits and unearned income | *728,520* | **999,858** | **22,922** |
| Customers' liability on acceptances | *65,142* | **74,116** | **1,699** |
| Property and equipment, net | *23,183* | **26,055** | **597** |
| Assets held for sale | *4,829* | **3,741** | **86** |
| Goodwill | *5,403* | **7,407** | **170** |
| Intangible assets, net | *4,513* | **4,199** | **96** |
| Deferred tax assets | *7,937* | **12,111** | **278** |
| Interest and fees receivable | *6,529* | **17,211** | **395** |
| Other assets | *74,948* | **101,888** | **2,336** |
| **Total assets** | *1,409,131* | **1,863,447** | **42,720** |
| **Liabilities** | | | |
| Interest bearing deposits | *611,178* | **889,626** | **20,395** |
| Non-interest bearing deposits | *73,777* | **126,908** | **2,909** |
| Trading liabilities | *26,079* | **24,258** | **556** |
| Short-term borrowings | *57,364* | **91,951** | **2,108** |
| Bank acceptances outstanding | *65,142* | **74,116** | **1,699** |
| Long-term debt | *373,449* | **367,499** | **8,425** |
| Redeemable preferred stock | *944* | **1,044** | **24** |
| Taxes and dividends payable | *20,180* | **17,885** | **410** |
| Deferred tax liabilities | *614* | **550** | **13** |
| Other liabilities | *84,829* | **139,546** | **3,199** |
| **Total liabilities** | *1,313,556* | **1,733,383** | **39,738** |
| Commitments and contingencies | | | |
| **Minority interest** | *1,050* | **2,068** | **47** |
| **Stockholders' equity:** | | | |
| Common stock at Rs. 10 par value: 800,000,000 and 1,550,000,000 shares authorized as of March 31, 2004 and 2005; Issued and outstanding 616,391,905 and 736,738,564 shares as of March 31, 2004 and 2005, respectively | *6,164* | **7,368** | **169** |
| Additional paid-in capital | *65,341* | **96,818** | **2,220** |
| Retained earnings | *18,279* | **20,581** | **472** |
| Deferred compensation costs | *—* | **(60)** | **(1)** |
| Accumulated other comprehensive income | *4,741* | **3,289** | **75** |
| **Total stockholders' equity** | *94,525* | **127,996** | **2,935** |
| **Total liabilities and stockholders' equity** | *1,409,131* | **1,863,447** | **42,720** |

# consolidated statements of operations

*(in millions, except share data)*

| for the year ended March 31, | 2003 | 2004 | 2005 | 2005 |
|---|---|---|---|---|
| | | | | Convenience translation into US$ |
| | Rs. | Rs. | Rs. | US$ |
| **Interest and dividend income** | | | | |
| Interest and fees on loans | 75,080 | 69,221 | 70,968 | 1,627 |
| Interest and dividends on securities | 17,022 | 15,695 | 15,733 | 361 |
| Interest and dividends on trading assets | 2,754 | 3,232 | 1,946 | 45 |
| Interest on balances and deposits with banks | 1,151 | 1,148 | 1,512 | 35 |
| Other interest income | 2,096 | 1,823 | 2,101 | 48 |
| **Total interest and dividend income** | 98,103 | 91,119 | 92,260 | 2,116 |
| **Interest expense** | | | | |
| Interest on deposits | 26,033 | 30,680 | 33,105 | 759 |
| Interest on long-term debt | 48,163 | 38,412 | 31,310 | 718 |
| Interest on short-term borrowings | 3,829 | 1,374 | 2,037 | 47 |
| Interest on trading liabilities | 3,114 | 1,815 | 1,747 | 40 |
| Other interest expense | 2,069 | 94 | 210 | 5 |
| **Total interest expense** | 83,208 | 72,375 | 68,409 | 1,569 |
| **Net interest income** | 14,895 | 18,744 | 23,851 | 547 |
| Provision for loan losses | 19,649 | 20,055 | 14,677 | 336 |
| **Net interest income/ (loss) after provision for loan losses** | (4,754) | (1,311) | 9,174 | 211 |
| **Non-interest income** | | | | |
| Fees, commission and brokerage | 5,397 | 8,988 | 15,660 | 359 |
| Net gain on trading activities | 3,075 | 4,433 | 286 | 7 |
| Net gain/(loss) on venture capital investments | (1,278) | 357 | 62 | 1 |
| Net gain on other securities | 956 | 12,443 | 5,863 | 134 |
| Net gain on sale of loans and credit substitutes | 3,120 | 4,687 | 5,414 | 124 |
| Foreign exchange income | 92 | 2,061 | 2,130 | 49 |
| Software development and services | 1,062 | 903 | 1,731 | 40 |
| Gain on sale of property and equipment | 16 | 345 | 33 | 1 |
| Transaction processing services | 696 | 1,756 | 3,219 | 74 |
| Other non-interest income | 117 | 705 | 247 | 6 |
| **Total non-interest income** | 13,253 | 36,678 | 34,645 | 795 |
| **Non-interest expense** | | | | |
| Salaries and employee benefits | 5,383 | 9,976 | 11,292 | 259 |
| General and administrative expenses | 12,581 | 16,440 | 21,193 | 486 |
| Amortization of intangible assets | 645 | 685 | 604 | 14 |
| **Total non-interest expense** | 18,609 | 27,101 | 33,089 | 759 |
| **Income/(loss) before equity in loss of affiliates, minority interest, income taxes** | (10,110) | 8,266 | 10,730 | 247 |
| Equity in loss of affiliates | (958) | (1,437) | (577) | (13) |
| Minority interest | 24 | 28 | 14 | — |
| **Income/(loss) before income taxes** | (11,044) | 6,857 | 10,167 | 234 |
| Income tax (expense)/benefit | 3,061 | (1,638) | (1,637) | (38) |
| **Net income/(loss)** | (7,983) | 5,219 | 8,530 | 196 |
| **Earnings per equity share:** | | | | |
| Basic | (14.18) | 8.50 | 11.72 | 0.27 |
| Diluted | (14.18) | 8.43 | 11.60 | 0.27 |
| **Weighted average number of equity shares used in computing earnings per equity share (millions)** | | | | |
| Basic | 563 | 614 | 728 | |
| Diluted | 563 | 619 | 734 | |

ICICI Bank

*(in millions, except share data)*

| | Common stock No. of Shares[1] | Common stock Amount Rs. | Treasury Stock No. of Shares | Treasury Stock Amount Rs. | Additional Paid-in Capital Rs. | Retained Earnings Rs. | Deferred Compensation Rs. | Accumulated Other Comprehensive Income, Net of Tax Rs. | Total Stockholders' Equity Rs. |
|---|---|---|---|---|---|---|---|---|---|
| **Balance as of March 31, 2002** | **392,672,724** | **3,922** | **—** | **—** | **42,036** | **26,229** | **(7)** | **(832)** | **71,348** |
| Common stock issued on reverse acquisition | 118,962,731 | 1,190 | — | — | 10,838 | — | — | — | 12,028 |
| Fair value of stock options assumed on reverse acquisition | — | — | — | — | 409 | — | — | — | 409 |
| Treasury stock arising due to reverse acquisition | 101,395,949 | — | (101,395,949) | (8,204) | 8,204 | — | — | — | — |
| Sale of treasury stock | — | 1,015 | 101,395,949 | 8,204 | 3,336 | — | — | — | 12,555 |
| Common stock issued on exercise of stock options | 3,000 | — | — | — | — | — | — | — | — |
| Increase in carrying value on direct issuance of stock by subsidiary | — | — | — | — | 40 | — | — | — | 40 |
| Amortization of compensation | — | — | — | — | — | — | 7 | — | 7 |
| Comprehensive income | — | — | — | — | — | — | — | — | — |
| Net income/ (loss) | — | — | — | — | — | (7,983) | — | — | (7,983) |
| Net unrealized gain/(loss) on securities, net of realization (net of tax) | — | — | — | — | — | — | — | 3,731 | 3,731 |
| Translation adjustments (net of nil tax) | — | — | — | — | — | — | — | 78 | 78 |
| Comprehensive income/ (loss) | — | — | — | — | — | — | — | — | (4,174) |
| **Balance as of March 31, 2003** | **613,034,404** | **6,127** | **—** | **—** | **64,863** | **18,246** | **—** | **2,977** | **92,213** |
| Common stock issued on exercise of stock options | 3,370,604 | 34 | — | — | 478 | — | — | — | 512 |
| Receipt of calls in arrears | | 3 | — | — | — | — | — | — | 3 |
| Forfeiture of shares | (13,103) | — | — | — | — | — | — | — | — |
| Amortization of compensation | — | — | — | — | — | — | — | — | — |
| Comprehensive income | — | — | — | — | — | — | — | — | — |
| Net income/(loss) | — | — | — | — | — | 5,219 | — | — | 5,219 |
| Net unrealized gain/(loss) on Securities, net of realization (net of tax) | — | — | — | — | — | — | — | 1,858 | 1,858 |
| Translation adjustments (net of nil tax) | — | — | — | — | — | — | — | (94) | (94) |
| Comprehensive income/ (loss) | — | — | — | — | — | — | — | — | 6,983 |
| Cash dividends declared (Rs.7.5 per common share) | — | — | — | — | — | (5,186) | — | — | (5,186) |
| **Balance as of March 31, 2004** | **616,391,905** | **6,164** | **—** | **—** | **65,341** | **18,279** | **—** | **4,741** | **94,525** |
| Common stock issued, net of issue expenses | 115,920,758 | 1,159 | — | — | 30,771 | — | — | — | 31,930 |
| Common stock issued on exercise of stock options | 4,480,121 | 45 | — | — | 605 | — | — | — | 650 |
| Compensation related to employee stock option plan | — | — | — | — | 108 | — | (108) | — | — |
| Forfeiture of shares | (54,220) | — | — | — | (7) | — | — | — | (7) |
| Amortization of compensation | — | — | — | — | — | — | 48 | — | 48 |
| Comprehensive income | — | — | — | — | — | — | — | — | — |
| Net income/(loss) | — | — | — | — | — | 8,530 | — | — | 8,530 |
| Net unrealized gain/(loss) on securities, net of realization (net of tax) | — | — | — | — | — | — | — | (1,426) | (1,426) |
| Translation adjustments (net of nil tax) | — | — | — | — | — | — | — | (26) | (26) |
| Comprehensive income/ (loss) | — | — | — | — | — | — | — | — | 7,078 |
| Cash dividends declared (Rs.7.5 per common share) | — | — | — | — | — | (6,228) | — | — | (6,228) |
| **Balance as of March 31, 2005** | **736,738,564** | **7,368** | **—** | **—** | **96,818** | **20,581** | **(60)** | **3,289** | **127,996** |
| **Balance as of March 31, 2005 (US$)** | | **169** | **—** | **—** | **2,220** | **472** | **(1)** | **75** | **2,935** |

1) *Restated for reverse acquisition.*

# consolidated statements of cash flows

*(in millions, except share data)*

| for the year ended March 31, | 2003 | 2004 | 2005 | 2005 |
|---|---|---|---|---|
| | | | | Convenience translation into US$ |
| | Rs. | Rs. | Rs. | US$ |
| **Operating activities** | | | | |
| Net income/(loss) | (7,983) | 5,219 | **8,530** | **196** |
| Adjustments to reconcile net income to net cash (used in)/provided by operating activities: | | | | |
| Provision for loan and other credit losses | 19,649 | 20,055 | **14,677** | **336** |
| Depreciation | 2,438 | 2,791 | **3,560** | **82** |
| Amortization of intangibles and deferred income | 5,815 | (1,902) | **(1,005)** | **(23)** |
| Amortization of discounts and expenses on borrowings | 607 | 856 | **272** | **6** |
| Deferred income tax | (4,348) | (2,046) | **(1,766)** | **(40)** |
| Unrealized loss/(gain) on trading assets | (1,126) | (835) | **1,840** | **42** |
| Unrealized loss/(gain) on venture capital Investments | 1,278 | (499) | **(62)** | **(1)** |
| Other than temporary decline in value of other securities | 2,098 | 944 | **663** | **15** |
| Undistributed equity in (earning)/loss of affiliates | 958 | 1,631 | **577** | **13** |
| Minority interest | (24) | (28) | **(14)** | |
| (Gain)/loss on sale of property and equipment, net | (16) | (345) | **(33)** | **(1)** |
| (Gain)/loss on sale of securities available for sale | (956) | (12,443) | **(5,863)** | **(134)** |
| Gain on sale of loans | (2,795) | (4,687) | **(5,414)** | **(124)** |
| Change in assets and liabilities | | | | |
| Trading account assets | 29,944 | (34,686) | **(2,223)** | **(51)** |
| Interest and fees receivable | (2,990) | 5,943 | **(10,682)** | **(245)** |
| Other assets | (34,295) | (18,535) | **(30,616)** | **(702)** |
| Trading account liabilities | (13,656) | (7) | **(1,821)** | **(42)** |
| Taxes payable | 5,830 | 3,300 | **(2,295)** | **(53)** |
| Other liabilities | 4,663 | 18,750 | **55,849** | **1,280** |
| **Net cash (used in)/provided by operating activities** | 5,091 | (16,524) | **24,174** | **554** |
| **Investing activities** | | | | |
| Purchase of available for sale securities | (717,765) | (270,405) | **(329,174)** | **(7,546)** |
| Purchase of venture capital investments | (1,268) | (3,097) | **(3,399)** | **(78)** |
| Purchase of non-readily marketable equity securities | (1,150) | (561) | **(3,292)** | **(75)** |
| Proceeds from sale of available for sale securities | 684,769 | 255,316 | **261,110** | **5,986** |
| Proceeds from sale of venture capital investments | 207 | 2,157 | **4,671** | **107** |
| Proceeds from sale of non-readily marketable equity securities | — | 1,358 | **4,704** | **108** |
| Origination of loans, net | (108,023) | (237,709) | **(497,107)** | **(11,396)** |
| Proceeds from sale of loans | 51,780 | 128,269 | **218,566** | **5,011** |
| Purchase of property and equipment | (6,943) | (5,740) | **(6,664)** | **(153)** |
| Proceeds from sale of property and equipment | 504 | 1,305 | **265** | **6** |
| Investments in affiliates | (1,691) | (2,635) | **(1,684)** | **(39)** |
| Payment for business acquisition, net of cash acquired | 98,487 | (1,322) | **(1,957)** | **(45)** |
| **Net cash (used in)/provided by investing activities** | (1,093) | (133,064) | **(353,961)** | **(8,114)** |

ICICI Bank

Continued (in millions, except share data)

| for the year ended March 31, | 2003 | 2004 | 2005 | 2005 |
|---|---|---|---|---|
| | | | | Convenience translation into US$ |
| | Rs. | Rs. | Rs. | US$ |
| **Financing activities** | | | | |
| Increase in deposits, net | 158,290 | 193,741 | 331,636 | 7,603 |
| Proceeds/ repayment from short-term borrowings, net | (30,118) | 15,269 | 34,587 | 793 |
| Proceeds from issuances of long-term debt | 10,631 | 114,712 | 86,725 | 1,988 |
| Repayment of long-term debt | (124,979) | (142,931) | (92,947) | (2,131) |
| Proceeds from issuance of common stock | 13,155 | 515 | 32,668 | 749 |
| Cash dividends paid | — | (5,186) | (6,228) | (143) |
| **Net cash provided by/(used in) financing activities** | 26,979 | 176,120 | 386,441 | 8,859 |
| Net increase/(decrease) in cash and cash equivalents | 30,977 | 26,532 | 56,654 | 1,299 |
| Cash and cash equivalents at the beginning of the year | 41,476 | 72,453 | 98,985 | 2,269 |
| **Cash and cash equivalents at the end of the year** | 72,453 | 98,985 | 155,639 | 3,568 |
| **Supplementary information:** | | | | |
| Cash paid for: | | | | |
| Taxes | 1,027 | 3,313 | 8,401 | 193 |
| Non-cash items: | | | | |
| Foreclosed assets | 673 | 1,087 | 3,677 | 84 |
| Conversion of loan to equity shares | 4,495 | 1,162 | 2,385 | 55 |
| Change in unrealized gain/(loss) on securities available for sale, net | 3,731 | 1,858 | (1,426) | (33) |
| *Acquisitions* | | | | |
| Fair value of net assets acquired, excluding cash and cash equivalents | (37,948) | 642 | 1,957 | 45 |
| Shares issued | 118,965,731 | — | — | — |
| Treasury stock | 8,204 | — | — | — |

# PRODUCT PORTFOLIO

## WHOLESALE BANKING

- Working Capital Finance
- Cash Management Services
- Trade Finance Services
- Treasury Products
- Structured Finance
- Infrastructure Finance
- Manufacturing Project Finance
- Capital Market Services
- Rural Banking
- Agricultural Finance


## RETAIL BANKING

- Home Loans
- Car & Two-Wheeler Loans
- Commercial Vehicle Financing
- Personal Loans
- Loans Against Securities
- Savings & Term Deposits
- Salary Accounts
- Investment Products
- Private Banking
- Demat Services
- Credit, Debit & Smart Cards
- Bill Payment Services
- Roaming Current Accounts
- SME Financing

## INTERNATIONAL BANKING

- NRI Savings Accounts
- Foreign Currency International Deposits
- Offshore Banking Unit Deposits
- Money Transfers/Remittances
- Private Banking
- Online Savings Accounts
- Trade Finance
- Correspondent Banking
- Global Treasury
- External Commercial Borrowings