ICICI BANK UK LIMITED

2ND ANNUAL REPORT AND ACCOUNTS 2004-2005

Directors
K. V Kamath, *Chairman*
Lalita D. Gupte
W.M.T. Fowle
R.M.J. Orgill
Dr. M. Kaul
M. R. Errington
S. Chatterjee, Managing Director & CEO

Auditors
KPMG Audit Plc
Chartered Accountants
Registered Auditor

Registered Office
21 Knightsbridge
London
SW1X 7LY

directors' report

to the members

The Directors of ICICI Bank UK Limited ("the Company") have pleasure in presenting their second annual report, together with the financial statements and auditors' report, for the year ended March 31, 2005.

Principal activities

ICICI Bank UK Limited is a full service locally incorporated bank offering both retail and commercial banking services and is regulated by the Financial Services Authority (FSA). The Company is a wholly owned subsidiary of ICICI Bank Limited, which is India's largest bank in the private sector. The bank has a high standing among the Asian community in the UK and among Indian corporations and multinationals. ICICI Bank UK Limited is initially targeting three business areas including commercial banking support for small and medium corporates in the UK, trade finance in support of the trade flow between the UK and India, and corporate finance and syndication. The Company offers regular high street retail banking services with a full product suite including current accounts, savings accounts, internet banking, debit and credit cards.

Business review

Retail banking is a key element of our growth strategy in the UK. During the year, the Company has established its brand image successfully and substantially increased the customer base. Retail liabilities have grown from Rs. 785 million to Rs. 16,881 million and retail assets have increased from Rs. 218 million to approximately Rs. 2,966 million at March 31, 2005. Remittance volumes have grown and product initiatives have included being the first Indian bank to launch credit cards in the UK, and the commencement of bureau de change activity. A new branch in Leicester is in the process of being fitted out and an additional three branches are expected to follow early in the next financial year. At the year end, the Company is well placed to continue its expansion in the United Kingdom marketplace.

The corporate banking business saw a considerable increase in levels of activity, demonstrated by the key parameters of asset growth and increase in net interest income and associated fee income. The corporate book grew from Rs. 523 million to approximately Rs. 25,300 million by the year-end. In addition to focusing on its core India centric business, the Company further diversified by building lending expertise in the UK and Europe. During the course of the year a profitable trade finance desk was established and is expected to contribute considerably to the objectives of generating sustainable sources of income and achieving a balanced portfolio in terms of asset-liability maturities.

Treasury activity during the year has focused principally upon efficient liquidity management and increasing and diversifying the availability of lines of credit. The Company has also commenced trading activity during the final quarter, accompanied by an enhanced risk management control and reporting framework.

Financial results

The financial statements for the reporting year ended March 31, 2005 are shown on pages 147 to 153. The profit after taxation for the year amounts to Rs. 99,017,000 (2004 – loss of Rs. 98,233,000).

The Directors do not recommend the payment of a dividend based on the profit on ordinary activities after tax for the year ended March 31, 2005 (2004: Nil).

Directors and Company Secretary

The names of the Directors and Company Secretary as at the date of this report and those who served during the year are as follows:

K.V Kamath
— Chairman of the Board

S. Chatterjee

L.D. Gupte

W.M.T. Fowle

R.M.J. Orgill

M. Kaul

B. Dasgupta (appointed January 18, 2005)

M.R. Errington (Director and Company Secretary)

Directors' interests

None of the Directors who held office at the end of the financial year had any disclosable interest in the shares of the Company at that date.

Share capital

On August 18 2004, the Company re-divided USD 500,000,000 of the authorised share capital into 450,000,000 ordinary shares of USD 1 each and 50,000,000 non-cumulative perpetual callable preference shares of USD 1 each. On September 15, 2004, the Company issued 50,000,000 non-cumulative perpetual callable preference shares of USD 1 each and on February 28, 2005, the Company issued 50,000,000 ordinary shares of USD 1 each. As at the reporting date, the issued Share Capital, fully paid, amounted to USD 150,000,000 and £ 2.

Political and charitable contributions

The Company made charitable contributions of Rs. 1,570,000 during the year (2004 – none). Of this amount, approximately Rs. 829,000 was paid to a Tsunami relief fund, Rs. 610,000 was paid to an educational trust and Rs. 131,000 was paid to a cancer relief trust. The Company made no political contributions during the year (2004: Nil).

By order of the board

London, April 22, 2005

M. R. ERRINGTON
Company Secretary

directors' report

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

1. select suitable accounting policies and then apply them consistently;
2. make judgements and estimates that are reasonable and prudent;
3. state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
4. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

auditors' report

to the members of ICICI Bank UK Limited

In accordance with the terms of our engagement letter dated May 12, 2005, we have carried out specific agreed procedures in respect of the non-statutory financial statements for the year ended March 31, 2005 ('the financial statements') on pages 147 to 153 which have been prepared by, and are the sole responsibility of, the directors of 'the Company'. Our responsibility, under the terms of our engagement letter, is to form an opinion, on the basis of the work performed, and report our opinion to the Company.

These financial statements are based on the statutory accounts of ICICI Bank UK Limited for the year ended March 31, 2005 on which we have reported as auditors and have been translated into Indian Rupees for presentation purposes only at the rate of USD 1:Rs. 43.62.

Our report has been prepared for the company solely in connection with the terms of our engagement letter. It has been released to the Company on the basis that our report shall not be copied, referred to or disclosed, in whole (save for the Company's own internal purposes) or in part, without our prior written consent.

Our report was designed to meet the agreed requirements of the Company determined by the Company's needs at the time. Our report should not therefore be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Company for any purpose or in any context. Any party other than the Company who obtains access to our report or a copy and chooses to rely on our report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, KPMG Audit Plc will accept no responsibility or liability in respect of our report to any other party.

The procedures we have performed do not constitute an audit and have the limited scope described below. This report has been prepared solely in accordance with practice established in the United Kingdom.

We report as follows:

1. We confirm that the information in the financial statements for the year ended March 31, 2005 has been accurately extracted from the statutory accounts for the year ended March 31, 2005;
2. We have recalculated the translation into Indian Rupees of the financial information in the financial statements at the rate of USD 1:Rs. 43.62 and confirm that the calculations are arithmetically correct.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

May 27, 2005

balance sheet

as at March 31, 2005

	Note	(Rs. in '000s)	March 31, 2004
Assets			
Loans and advances to banks	8	19,016,662	*3,686,347*
Loans and advances to customers	9	17,445,645	*776,598*
Debt securities	11	7,344,736	—
Tangible fixed assets	12	92,431	*88,965*
Other assets	13	72,933	*20,809*
Prepayments and accrued income		465,949	*34,974*
Total assets		44,438,356	*4,607,693*
Liabilities			
Deposits by banks	14	20,475,752	*1,704,983*
Customer accounts	15	16,884,125	*768,160*
Other liabilities	16	256,835	*20,416*
Accruals and deferred income		277,641	*26,492*
Shareholders' funds:	17		
Equity share capital		4,362,000	*2,185,875*
Non equity share capital		2,181,000	—
Profit and loss account		1,003	*(98,233)*
		6,544,003	*2,087,642*
Total liabilities		44,438,356	*4,607,693*
		Rs. 000s	*Rs. 000s*
Memorandum items			
Contingent liabilities:			
Guarantees & letters of credit	19	1,466,592	*51,849*
Commitments:			
Other commitments	19	2,091,230	*1,579,251*
		3,557,822	*1,631,100*

These financial statements were approved by the board of directors on April 22, 2005 and were signed on its behalf by:

M. R. ERRINGTON
Director

The notes on pages 148 to 153 form part of these financial statements.

profit and loss account

for the year ended March 31, 2005

	Note	(Rs. in '000s)	Period from February 11, 2003 to March 31, 2004
Interest receivable:			
-Interest receivable and similar income arising on debt securities		155,680	—
-Other interest receivable and similar income		476,854	*33,181*
Interest payable		(412,078)	*(8,175)*
Net interest income		220,456	*25,006*
Fees and commissions receivable	2	287,979	*22,427*
Other operating income	3	63,380	*12,241*
Foreign exchange dealing profits		15,572	—
Operating income		587,387	*59,674*
Administrative expenses	4	(394,238)	*(145,972)*
Depreciation	12	(22,159)	*(9,443)*
Provisions for bad and doubtful debts:	10		
General provisions		(47,110)	*(2,492)*
Profit/ (Loss) on ordinary activities before tax	5	123,880	*(98,233)*
Tax on profit on ordinary activities	6	(24,863)	—
Profit/ (Loss) on ordinary activities after tax		99,017	*(98,233)*

There are no recognised gains and losses other than the profit for the year as reported above.

There is no difference between the retained profit for the year and the retained profit on an historical cost basis.

The result for the year is derived entirely from continuing activities.

The notes on pages 148 to 153 form part of these financial statements.

reconciliation of movements in shareholders' funds

for the year ended March 31, 2005

	Issued Share Capital	Profit & loss account	March 31, 2005 Total	*March 31, 2004 Total*
Opening shareholders' funds	2,181,000	(98,014)	2,082,986	—
Ordinary shares issued during the year	2,181,000	—	2,181,000	*2,185,875*
Preference shares issued during the year	2,181,000	—	2,181,000	—
Profit/(loss) after taxation	—	99,017	99,017	*(98,233)*
Closing shareholders' funds	6,543,000	1,003	6,544,003	*2,087,642*

The notes on pages 143 to 153 form part of these financial statements.

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements:

(a) Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with the special provisions of Part VII, Chapter II of the Companies Act 1985 relating to banking companies, applicable accounting standards and the British Bankers' Association Statements of Recommended Accounting Practice.

(b) Cash flow statement

As a wholly owned subsidiary whose parent produces publicly available accounts (see note 26), the Company has taken advantage of the exemption available within FRS 1 (revised), "Cash Flow Statements", and does not produce a cash flow statement.

(c) Loans and advances

Loans and advances are stated at cost after deduction of amounts which in the opinion of the directors are required as specific or general provisions. Where loans have been acquired at a premium or discount, these premiums and discounts are amortised through the profit and loss account from the date of acquisition to the date of maturity on a straight line basis.

Loans are designated as non-performing as soon as management has doubts as to the ultimate collectibility of the principal or interest. Loans are also considered to be non-performing if principal or interest is 90 days overdue. When a loan is designated as non-performing, interest will be suspended and a specific provision raised, if required.

Specific provisions

Specific provisions represent the quantification of the actual or expected losses from identified accounts and are deducted from loans and advances on the balance sheet. The amount of the specific provision raised is assessed on a case by case basis. The amount of specific provision raised is the Company's conservative estimate of the amount needed to reduce the carrying value of the asset to its expected net realisable value.

General provisions

General provisions augment specific provisions and provide cover for loans which are impaired at the balance sheet date but which will not be identified as such until some time in the future. The general provision is determined by taking into account the structure and risk of the Company's loan portfolio. General provisions are deducted from loans and advances in the balance sheet.

(d) Debt securities

Debt securities are held for investment purposes and are stated at cost (as adjusted for discounts and premiums) less provision for impairment.

(e) Foreign currencies

The financial statements are prepared in US Dollars, which represents the currency of the primary economic environment in which the Company operates since a significant proportion of the banking assets and liabilities, revenues and expenses are transacted in US Dollars.

Monetary assets and liabilities denominated in foreign currencies are translated into US Dollars at the exchange rates ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account. Income and expenses denominated in foreign currencies are converted into US Dollars at the rate of exchange ruling at the date of the transaction. Forward foreign exchange contracts are valued at the market rates applicable to their respective maturities at the balance sheet date, and the resulting profits or losses included in the profit and loss account for the year.

(f) Depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets on a straight-line basis over their estimated useful economic lives as follows:

Leasehold improvements	Over the lease period
Office equipment	6 – 7 years
Furniture, fixtures and fittings	6 – 7years
Computer hardware and software	3 – 4years

(g) Derivatives

Transactions are undertaken in derivative financial instruments (derivatives), which include interest rate swaps, forward rate agreements, currency swaps and similar instruments, for trading and non-trading purposes.

Derivatives classified as trading are held for portfolio management purposes within the Company's trading book. Trading book activity is the buying and selling of financial instruments in order to take advantage of short term changes in market prices. 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 represent a 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'.

Off-balance sheet financial derivatives are entered into by the Company for hedging purposes to reduce the risks arising on transactions entered into in the normal course of business. 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. To qualify as a hedge, a derivative must effectively reduce the price or interest rate risk of the asset, liability or anticipated transaction to which it is linked and be designated as a hedge at inception of the derivative contract. Accordingly, changes in the market value of the derivative must be highly correlated with changes in the market value of the underlying hedged item at inception of the hedge and over the life of the hedge contract.

(h) Interest receivable and payable

Interest receivable and payable is accrued over the period of the related loans and deposits.

(i) Fees and commissions receivable

Fees and commissions are taken to income once the related service has been provided and the right to receive the associated fees has been established.

(j) Taxation

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and for accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19 "Deferred Tax". Deferred tax assets are recognised to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

(k) Pension costs

The Company operates a stakeholder defined contribution pension scheme. Contributions to the scheme are charged to the profit and loss account when paid (see note 18).

(l) Related party transactions

The Company has taken advantage, under FRS 8, "Related Party Disclosures", of the exemption not to disclose related party transactions with group companies, as it is a wholly owned subsidiary of ICICI Bank Limited (see note 26).

(m) Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

2. Fees and commissions receivable

This amount principally consists of non-refundable arrangement and other fees earned by the Company on credit facilities granted during the year. In accordance with the accounting policy, these fees have been recognised up-front.

3. Other operating income

Other operating income principally consists of amounts receivable from the parent company in respect of a revenue sharing agreement on remittances originated by the company or through an alliance with a third party, and amounts receivable in respect of relationship management services.

4. Administrative expenses

	Year ended March 31, 2005 (Rs. in '000s)	Period from February 11, 2003 to March 31, 2004 (Rs. in '000s)
Staff costs (including directors' emoluments):		
Wages and salaries	191,187	*63,259*
Social security costs	17,622	*8,262*
Other administrative expenses	185,429	*74,451*
	394,238	*145,972*

The average number of persons employed by the Company during the year was 51 (2004: 25).

5. Profit on ordinary activities before tax

(a) is stated after charging

	Year ended March 31, 2005 (Rs. in '000s)	Period from February 11, 2003 to March 31, 2004 (Rs. in '000s)
Auditors' remuneration:		
Audit	5,496	*3,060*
Other services - fees paid to the auditor and its associates	916	*656*
Depreciation on tangible fixed assets	22,159	*9,443*
Operating lease rental in respect of leasehold premises	9,291	*7,213*

(b) Segmental reporting

The Company has one class of business and all other services provided are ancillary to this. All business is conducted from the United Kingdom.

6. Taxation

(a) Analysis of charge in the year

	Year ended March 31, 2005 (Rs. in '000s)	Period from February 11, 2003 to March 31, 2004 (Rs. in '000s)
Current tax:		
UK Corporation tax at 30% (2004: 30%) on the taxable profit/ (loss) for the year	24,863	—
Tax on profit/ (loss) on ordinary activities	24,863	—

(b) Factors affecting the tax charge for the current year

The current tax charge for the year is lower (2004: higher) than the standard rate of corporation tax in the UK (30% (2004: 30%)). The differences are explained below.

	Year ended March 31, 2005 (Rs. in '000s)	Period from February 11, 2003 to March 31, 2004 (Rs. in '000s)
Current tax reconciliation		
Profit/ (loss) on ordinary activities before tax	123,880	*(98,233)*
Current tax at 30%	37,164	*(29,470)*
Add effects of:		
Expenses not deductible for tax purposes	2,748	*4,634*
Losses (utilised)/carried forward	(27,568)	*24,836*
Timing difference on creation of a general provision for bad and doubtful debts	14,133	*787*
Less effects of:		
Capital allowances in excess of depreciation for the year	(1,614)	*(787)*
Total current tax charge (see 6 (a) above)	24,863	—

As at March 31, 2005, there were deferred tax assets of Rs. 12,519,000 in respect of general provision for bad and doubtful debts (2004: Rs. 24,836,000 in respect of losses carried forward). The Directors have considered it prudent not to recognise these assets based on current profitability levels.

(c) Factors that may affect future tax charges

The Directors of the Company are not aware of any factors which will have a material effect upon future tax charges.

7. Emoluments of directors

	Year ended March 31, 2005 (Rs. in '000s)	Period from February 11, 2003 to March 31, 2004 (Rs. in '000s)
Directors' fees and emoluments	27,917	*11,192*

The emoluments of the highest paid director were Rs. 13,287,175 (2004: Rs. 12,766,000). Contributions on behalf of a director under a money purchase pension scheme amounted to Rs. 329,549 (2004: None).

8. Loans and advances to banks

(a) Residual maturity

	March 31, 2005 (Rs. in '000s)	March 31, 2004 (Rs. in '000s)
Banks		
Repayable on demand	34,373	*64,920*
Other loans and advances		
Remaining maturity:		
Over 5 years	—	—
5 years or less but over 1 year	2,182,047	—
1 year or less but over 3 months	2,772,574	—
3 months or less	13,784,661	*3,620,465*
	18,773,655	*3,685,385*
Parent company		
Repayable on demand	6,848	*962*
Other loans and advances		
Remaining maturity:		
Over 5 years	—	—
5 years or less but over 1 year	—	—
1 year or less but over 3 months	128,156	—
3 months or less	108,003	—
	243,007	*962*
Total	19,016,662	*3,686,347*

(b) Concentrations of exposure

The Company has the following concentrations of loans and advances to banks:

	March 31, 2005 (Rs. in '000s)	March 31, 2004 (Rs. in '000s)
Total gross advances to banks located in:		
Western Europe and North America	12,605,395	*2,198,990*
India	1,697,995	*1,487,357*
Rest of the World	4,713,272	—
Total	19,016,662	*3,686,347*

9. Loans and advances to customers

(a) Residual maturity

	March 31, 2005 (Rs. in '000s)	March 31, 2004 (Rs. in '000s)
Repayable on demand or at short notice	458,403	2,886
Other loans and advances		
Remaining maturity:		
Over 5 years	436,200	—
5 years or less but over 1 year	6,106,800	*437,175*
1 year or less but over 3 months	5,016,300	*120,442*
3 months or less	5,477,538	*218,587*
Sub-total	17,495,241	*779,090*
Bad and doubtful debt provision – general (note 10)	(49,596)	*(2,492)*
Total	17,445,645	*776,598*

(b) Concentrations of exposure

The Company has the following concentrations of loans and advances to customers:

	March 31, 2005 (Rs. in '000s)	March 31, 2004 (Rs. in '000s)
Total gross advances to customers located in:		
Western Europe and North America	4,399,077	221,473
India	9,067,246	557,617
Rest of the World	4,028,918	—
Total	17,495,241	779,090

10. Provisions for bad and doubtful debts

Movements on provisions for bad and doubtful debts:

	March 31, 2005			March 31, 2004		
	Specific (Rs. in '000s)	General (Rs. in '000s)	Total (Rs. in '000s)	Specific (Rs. in '000s)	General (Rs. in '000s)	Total (Rs. in '000s)
Opening balance	—	2,486	2,486	—	—	—
New provisions	—	47,110	47,110	—	*2,492*	*2,492*
Closing balance	—	49,596	49,596	—	*2,492*	*2,492*

11. Debt securities

	March 31, 2005 (Rs. in '000s)	March 31, 2004 (Rs. in '000s)
Analysed by issuer:		
Issued by public bodies	—	—
Issued by other issuers	5,299,088	—
Bank certificate of deposits	2,132,495	—
	7,431,583	—
Less: Unamortised discounts	(86,847)	
	7,344,736	—
Analysed by listing status:		
Unlisted	7,431,583	—
	7,431,583	—
Analysed by maturity:		
Due within one year	2,699,555	—
Due one year and over	4,732,028	—
	7,431,583	—

At March 31, 2005, the market value of debt securities held for investment purposes was Rs. 7,328,079,303 (2004: nil).

Movement of debt securities:

	March 31 2005 (Rs. in '000s) Nominal	March 31 2005 (Rs. in '000s) Net discount	March 31 2005 **(Rs. in '000s)** Net book value	March 31 2004 (Rs. in '000s) Net book value
Opening balance	—	—	—	—
Purchases	17,073,740	(89,159)	16,984,581	—
Maturities	(7,558,081)	—	(7,558,081)	—
Sales	(557,376)	—	(557,376)	—
Redemptions	(1,526,700)	—	(1,526,700)	—
Amortisation	—	2,312	2,312	—
Closing balance	7,431,583	(86,847)	7,344,736	—

12. Tangible fixed assets

	Leasehold improvements (Rs. in '000s)	Other assets (Rs. in '000s)	Total (Rs. in '000s)
Cost			
At April 1, 2004	17,143	81,046	98,189
Additions	8,375	17,448	25,823
At March 31, 2005	25,518	98,494	124,012
Depreciation			
At April 1, 2004	654	8,768	9,422
Charge for year	2,355	19,804	22,159
At March 31, 2005	3,009	28,572	31,581
Net book value			
At March 31, 2005	22,509	69,922	92,431
At March 31, 2004	*16,526*	*72,439*	*88,965*

13. Other assets

	March 31, 2005 (Rs. in '000s)	March 31, 2004 (Rs. in '000s)
Cheques in clearing	16,401	10,055
Forward foreign exchange contracts	11,603	2,404
Deposits receivable	1,963	2,186
Other debtors	42,966	6,164
	72,933	20,809

14. Deposits by banks

	March 31, 2005 (Rs. in '000s)	March 31, 2004 (Rs. in '000s)
With agreed maturity dates or periods of notice, by remaining maturity:		
Banks		
Over 5 years	—	—
5 years or less but over one year	3,271,500	—
1 year or less but over 3 months	3,533,220	*437,175*
3 months or less but not repayable on demand	5,256,210	*1,136,655*
	12,060,930	*1,573,830*
Repayable on demand	—	—
	12,060,930	*1,573,830*
Parent and group companies		
Over 5 years	—	—
5 years or less but over one year	820,580	—
1 year or less but over 3 months	6,630,240	—
3 months or less but not repayable on demand	959,640	*131,153*
	8,410,460	*131,153*
Repayable on demand	4,362	—
	8,414,822	*131,153*
Total	20,475,752	*1,704,983*

15. Customer accounts

	March 31, 2005 (Rs. in '000s)	March 31, 2004 (Rs. in '000s)
With agreed maturity dates or periods of notice, by remaining maturity:		
Over 5 years	—	—
5 years or less but over 1 year	5,576,686	*1,224*
1 year or less but over 3 months	4,593,186	*303,050*
3 months or less but not repayable on demand	6,077,488	*323,072*
	16,247,360	*627,346*
Repayable on demand	636,765	*140,814*
	16,884,125	*768,160*

16. Other liabilities

	March 31, 2005 (Rs. in '000s)	March 31, 2004 (Rs. in '000s)
Amounts in clearing	189,093	*14,558*
Forward foreign exchange contracts	—	*87*
Other creditors	42,879	5,771
Corporation tax payable	24,863	—
	256,835	*20,416*

17. Called up share capital

	March 31, 2005	March 31, 2004
Authorised		
Ordinary shares of £1 each (equity)	100,000,000	100,000,000
Ordinary shares of USD1 each (equity)	450,000,000	500,000,000
Ordinary shares of EUR1 each (equity)	500,000,000	500,000,000
Non-cumulative perpetual callable preference shares of USD 1 each (non equity)	50,000,000	—
Allotted, called up and fully paid 100 million ordinary shares of USD1 each (equity)	100,000,000	50,000,000
50 million non-cumulative perpetual callable preference shares of USD1 each (non equity)	50,000,000	—
2 ordinary shares of £1 each (equity)	2	2

During the year, the Company allotted 50,000,000 ordinary shares of USD 1 each and 50,000,000 preference shares of USD 1 each for a cash consideration of USD 50,000,000 and USD 50,000,000 respectively.

18. Pension scheme

During the year, the Company made a contribution of Rs. 2,895,365 (2004: Nil) to the pension scheme (2004: Nil). Out of this amount, Rs. 405,797 was accrued at year end (2004: Nil).

19. Contingent liabilities and commitments

(a) Other commitments

	March 31, 2005 (Rs. in '000s)	March 31, 2004 (Rs. in '000s)
Contingent liabilities		
Guarantees and letters of credit (Assets of Rs. 1,309 million have been lodged as security against the above contingent liabilities)	1,466,592	51,849
Commitments		
Undrawn formal standby facilities, credit lines and other commitments to lend maturing in:		
Less than one year	2,091,230	1,579,251

(b) Significant concentrations of contingent liabilities and commitments

Approximately 32% (2004: 20%) of total contingent liabilities and commitments relate to counterparties in India.

(c) Foreign exchange contracts

In addition to the commitments disclosed above, there are outstanding foreign exchange contracts for purchases of Rs. 1,869,785,956 (2004: Rs. 303,443,000) and sales of Rs. 1,869,785,956 (2004: Rs. 303,443,000).

20. Market risk

The Company received trading permission from the FSA on January 27, 2005 and commenced trading from March 10, 2005.

The Company uses a value at risk ('VAR') measure as the primary mechanism for controlling market risk. Market risk arises mainly from uncertainty about future prices of financial and other instruments used in the Bank's business. It represents the potential loss the Bank might suffer through adverse changes in interest rates and foreign exchange rates. The Bank's trading activities principally comprise trading in foreign exchange derivative financial instruments which include forwards, swaps and options. Positions in such instruments are reported at fair value.

VAR is the potential loss in value of the Company's trading positions, which might arise due to adverse movements in markets over a defined time horizon with a specified confidence level.

The Company's VAR, calculated on a variance/covariance basis, uses a one-day time horizon and a 95% confidence level.

The VAR for the Company's trading book as at March 31, 2005 was Rs. 349,000 (2004: Nil) and the average, highest and lowest VARs during the period from March 10, 2005 to March 31, 2005 were Rs. 393,000 (2004: Nil), Rs. 654,000 (2004: Nil) and Rs. 174,000 (2004: Nil) respectively. These figures are purely indicative as they are simply based on a month-end time series.

The modelling of the risk characteristics of the Company's trading positions involves a number of assumptions and approximations. While management believes that these assumptions and approximations are reasonable, there is no uniform industry method for estimating VAR and different assumptions and/or approximations could produce materially different VAR estimates. The VAR figures disclosed above, for example, have the following main limitations:

The Company uses data for the last year to estimate its VAR and, given this reliance on historical data, VAR is most effective in estimating risk exposures in markets in which there are no sudden fundamental changes or shifts in market conditions. An inherent limitation of VAR is that past changes in market risk factors may not produce accurate predictions of future market risk.

The VAR estimates the risk for a one-day time horizon. It does not capture the market risk of positions over a longer holding period.

Focusing on the maximum loss that is expected to be incurred 95% of the time says little about the size of the losses in excess of the VAR that are expected to be incurred 5% of the time.

The VAR calculation is based on certain assumptions (log-normal distribution) on the distribution of market price movements that might not hold in practice.

The assumption of correlation or independence between risk types may be incorrect and therefore result in VAR not fully capturing market risk.

VAR is calculated at the close of business with intra-day exposures not being subject to intra-day VAR calculations.

21. Operating lease commitments

As at March 31, 2005, the Company has the following non cancellable annual operating lease commitments:

	March 31, 2005 (Rs. in '000s)	March 31, 2004 (Rs. in '000s)
Operating leases which expire:		
Within 1 year	—	—
Between 1 and 5 years	3,446	—
More than 5 years	10,556	*9,312*
	14,002	*9,312*

22. Risk management

Through its banking services the Company is exposed to a range of risks. The Company's goal in risk management is to ensure that it understands, measures and monitors the various risks that arise and that the Company adheres to the policies and procedures which are established to address these issues. As a Bank, the Company is primarily exposed to credit risk, interest rate risk, liquidity risk, foreign exchange risk and operational risk. Committees of the Board of Directors have been constituted to oversee risk management. Additionally, the Board of Directors has delegated authority to the Chief Executive Officer, who is assisted by executive management committees and a risk function which is independent from the Company's business operations. In turn, this is supplemented by internal audit.

Major risks

Credit risk

Credit risk arises principally on the lending activities of the Company. Credit risk policies are applied by the Executive Credit Committee which operates within the authority granted to it by the Board Risk and Credit Committee. Country and counterparty limits are established and monitored on a daily basis, with a detailed review at least once a year. Management receives regular reports on the utilisation of these limits.

Interest rate risk

Interest rate risk primarily arises on the mis-matching of the Company's assets with its funding. This is monitored daily and is managed by the Asset and Liability Committee. Principal limits have been established for the Company's assets and liabilities when allocated to time bands by reference to the next contractual repricing date.

Liquidity risk

Liquidity risk arises on the mis-matching of the residual maturity of the Company's assets and funding. This is also monitored daily, and is managed by the Asset and Liability Committee. Limits have been established for each time band and incorporate FSA agreed limits where necessary.

Foreign exchange risk

Foreign exchange risk is managed within the Treasury function. Policies and procedures are detailed in an operational procedures manual. This incorporates FSA agreed limits where necessary, and other regulatory bodies requirements and best practices. It is subject to periodic review by Internal Audit, and is approved by the Board. Senior management also regularly monitors the positions taken on a daily basis.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal process, people and systems or from external events. The Company's operational risk framework is subject to procedural policies and best practice standards, with senior management being responsible for their implementation and maintenance. Adherence to these policies is also subject to periodic review by Internal Audit.

Market risk is discussed under Note 20.

Short term debtors and creditors have been included in all of the following disclosures, when applicable.

Interest rate re-pricing schedule

At March 31, 2005, the interest rate risk comprises (all amounts in Rs. in '000s):

	Less than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than one year	More than one year but not more than 5 years	More than 5 years	Non interest bearing	Trading book	Total
Assets								
Loans and advances to banks	16,249,365	2,307,629	449,548	10,120	—	—	—	19,016,662
Loans and advances to customers	11,774,696	3,026,923	2,520,625	123,401	—	—	—	17,445,645
Debt Securities	5,948,896	1,395,840	—	—	—	—	—	7,344,736
Tangible fixed assets	—	—	—	—	—	92,431	—	92,431
Other assets	—	—	—	—	—	72,933	—	72,933
Prepayments and accrued income	—	—	—	—	—	465,949	—	465,949
Total assets	33,972,957	6,730,392	2,970,173	133,521	—	631,313	—	44,438,356
Liabilities								
Deposits by banks	7,310,713	10,198,879	2,966,160	—	—	—	—	20,475,752
Customer accounts	6,407,779	1,093,423	3,265,262	5,576,686		540,975	—	16,884,125
Other liabilities	—	—	—	—	—	256,835	—	256,835
Accruals and deferred income	—	—	—	—	—	277,641	—	277,641
Shareholders' funds	—	—	—	—	—	6,544,003	—	6,544,003
Total liabilities	13,718,492	11,292,302	6,231,422	5,576,686	—	7,619,454	—	44,438,356

	Less than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than one year	More than one year but not more than 5 years	More than 5 years	Non interest bearing	Trading book	Total
Derivatives								
IRS	(4,796,455)	2,181,000	1,308,600	1,306,855	—	—	—	—
FRA	—	872,400	(872,400)	—	—	—	—	—
Gap	15,458,010	(1,508,510)	(2,825,049)	(4,136,310)	—	(6,988,141)	—	—
Cumulative	15,458,010	13,949,500	11,124,451	6,988,141	6,988,141	—	—	—

The figures above do not demonstrate the exposure of the Company to particular interest rates as the assets and liabilities have been consolidated across all currencies.

At March 31, 2004, the interest rate risk comprised (all amounts in Rs. in '000s):

	Less than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than one year	More than one year but not more than 5 years	More than 5 years	Non interest bearing	Total
Assets							
Loans and advances to banks	3,686,347	—	—	—	—	—	3,686,347
Loans and advances to customers	545,988	230,610	—	—	—	—	776,598
Tangible fixed assets	—	—	—	—	—	88,965	88,965
Other assets	—	—	—	—	—	20,809	20,809
Prepayments and accrued income	—	—	—	—	—	34,974	34,974
Total assets	4,232,335	230,610	—	—	—	144,748	4,607,693
Liabilities							
Deposits by banks	1,267,808	437,175	—	—	—	—	1,704,983
Customer accounts	463,886	203,549	99,501	1,224	—	—	768,160
Other liabilities	—	—	—	—	—	20,416	20,416
Accruals and deferred income	—	—	—	—	—	26,492	26,492
Shareholders' funds	—	—	—	—	—	2,087,642	2,087,642
Total liabilities	1,731,694	640,724	99,501	1,224	—	2,134,550	4,607,693
Gap	2,500,641	(410,114)	(99,501)	(1,224)	—	(1,989,802)	—
Cumulative	2,500,641	2,090,527	1,991,026	1,989,802	1,989,802	—	—

The figures above do not demonstrate the exposure of the Company to particular interest rates as the assets and liabilities have been consolidated across all currencies.

23. Fair values of financial assets and financial liabilities

Set out below is a comparison by category of book values and fair values of all of the Company's trading and non trading financial assets and financial liabilities as at March 31, 2005.

	2005 Fair value (Rs. in '000s)	2005 Book value (Rs. in '000s)	2004 Fair value (Rs. in '000s)	2004 Book value (Rs. in '000s)
Non trading book financial assets and liabilities				
Assets:				
Loans & advances to banks	19,016,662	19,016,662	*3,686,347*	*3,686,347*
Loans & advances to customers	17,445,645	17,445,645	*776,598*	*776,598*
Debt securities	7,328,079	7,344,736	—	—
Derivatives:				
- Interest rate contracts	12,955	(872)	—	—
- Foreign exchange contracts	12,519	21,330	—	—
Liabilities:				
Deposits by banks & customer accounts	37,359,877	37,359,877	*2,473,143*	*2,473,143*

Market values have been used to determine the fair values of FRNs. The fair values of all other items have been calculated by discounting expected future cash flows at prevailing interest rates. Fair value is assumed to be the same as book value when interest rates reset within a short period of time.

There were no material positions outstanding in the trading book as at March 31, 2005 (2004: Nil).

24. Derivative financial instruments

The Company enters into various financial instruments as principal to manage balance sheet interest rate and foreign exchange rate risk.

Interest related contracts include swaps and forward rate agreements. Interest rate swap transactions generally involve the exchange of fixed and floating interest payment obligations without the exchange of the underlying principal amounts. Forward rate agreements are contracts under which two counterparties agree on the interest to be paid on a notional deposit of a specified maturity at a specific future settlement date; there is no exchange of principal.

Exchange rate related contracts include spot, currency swaps and forward transactions. The Company's currency swap transactions generally involve an exchange of currencies and an agreement to re-exchange the currency at a future date where the swaps relate to assets and liabilities denominated in different currencies.

The contract or notional principal amounts of these instruments are not indicative of the amounts at risk which are smaller amounts payable under the terms of these instruments and upon the basis of the contract or notional principal amount. Derivatives contracts in the non-trading book are used for hedging purposes only and are accounted for on this basis and are executed with bank counterparties for whom volume and settlement limits have been approved. Group limits are approved for connected exposures. At March 31, 2005, there are 13 swaps outstanding (2004: None) and one forward rate agreement outstanding (2004: None).

At March 31, 2005, the principal amounts of the instruments were:

	March 31, 2005 (Rs. in '000s)	March 31, 2004 (Rs. in '000s)
Interest rate related contracts:		
Interest rate swaps	5,010,193	—
Forward rate agreements bought	872,400	—
Exchange rate related contracts	1,869,786	*303,443*
	7,752,379	*303,443*

Maturity analysis:	Notional Values 2005 (Rs. in '000s) IRS	FRA	Total	Fair Values 2004 (Rs. in '000s) IRS	FRA	Total
1 year or less	(1,306,855)	—	(1,306,855)	19,629	—	19,629
5 years or less but over one year	1,306,855	—	1,306,855	(6,674)	—	(6,674)

There were no material contracts outstanding as at March 31, 2004.

25. Assets and liabilities denominated in foreign currency

	March 31, 2005 (Rs. in '000s)	March 31, 2004 (Rs. in '000s)
Denominated in US Dollars	34,425,690	*4,054,273*
Denominated in Sterling	3,599,392	*542,665*
Denominated in other currencies	6,413,274	*10,755*
Total assets	44,438,356	*4,607,693*
Denominated in US Dollars	34,066,349	*4,290,697*
Denominated in Sterling	4,566,447	*308,034*
Denominated in other currencies	5,805,560	*8,962*
Total liabilities	44,438,356	*4,607,693*

The above should not be considered to demonstrate the Company's exposure to foreign exchange risk due to the existence of compensating exchange rate contracts as discussed in Note 24 which are held for hedging purposes.

26. Ultimate parent company and parent undertaking of larger group of which the company is a member

The Company is a wholly owned subsidiary of ICICI Bank Limited. The parent company is incorporated in India. Copies of the group accounts for ICICI Bank Limited can be obtained from the Secretarial Department, ICICI Bank Limited, ICICI Bank Towers, Bandra-Kurla Complex, Mumbai 400 051, India.

Note: The financials have been converted into Indian Rupees for the sole purpose of holding Company at the rate of 1 USD = Rs.3462