ICICI Bank

12th Annual Report and Accounts 2005-2006

Contents

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 (formerly ICICI Infotech Limited)

Maratha Mandir Annexe, Dr. A. R. Nair Road, Mumbai Central, Mumbai 400 008

Message from the Chairman

The Indian economy and banking sector have witnessed another year of robust growth. The services sector has maintained the growth trends seen over the past several years. The industrial sector's growth is indicative of the sustained resurgence in manufacturing activity in the country, driven by enhanced efficiency and global competitiveness. Growth in these sectors has resulted in rising household incomes and stimulated growth in consumer demand. Underpinning this growth are India's people and our vast pool of young talent that has emerged as a key competitive advantage vis-à-vis other nations. Overall, the forces of favourable demographics, knowledge capital, industrial competitiveness and integration with the global economy appear to be propelling the economy within striking distance of double - digit GDP growth.

The banking sector mirrors these trends. Since the early years of this decade, retail credit – the financing of households for asset creation – has been a major growth driver. ICICI Bank has actively participated in this process, and indeed, played a key role in catalysing growth in retail credit. From a new growth horizon five years ago, this has now become a core element of our business. Going forward, this will continue to be a major part of our activity. We now see several other opportunities before us in the process of economic development and growth of financial intermediation.

Inadequate infrastructure continues to pose a bottleneck in India's growth. Power, airports and ports, urban rejuvenation and rural infrastructure are all areas where the current facilities are inadequate to support the growth targets that we have set for ourselves. There are encouraging developments in these segments, with policy initiatives that seek to combine the essential government interventions with the benefits of private participation. ICICI Bank is focusing closely on this area, and hopes to play a key role by leveraging its strong competencies in this business. We will seek to create financing structures to promote the flow of financing towards infrastructure projects, while adopting appropriate risk mitigation measures to ensure the sustainability of these projects and the exposures taken by lenders.

While the performance of the agricultural sector too has improved, after a year of low growth, this sector continues to be plagued by dependence on the vagaries of climatic conditions and inefficiencies in the agricultural value chain. It is, in a way, the weak link in India's growth equation and impacts not only those directly dependent on agriculture for livelihood but the entire rural economy, which accounts for over two-thirds of our people. The social and economic consequences of this imbalance in our growth paradigm are serious. At the same time, the opportunity for unleashing a wave of growth and prosperity by addressing the needs of the rural economy is immense. Enhancing access to financial services is a critical element of the movement to realise the potential of rural India – and this is where we at ICICI Bank are seeking to focus our energies.

Our rural strategy seeks to deliver a comprehensive range of products and services to all customer segments in rural India through appropriate channels, balancing developmental and commercial considerations. This represents a complex and challenging task. It requires us to develop a deep and comprehensive understanding of rural customers and their varying needs, overcome barriers of distance and solve the problem of the high cost-to-serve and high credit risks associated with traditional banking models. This is essential for rural banking to be sustainable.

Over the last few years, we have indeed made substantial progress in this endeavour. We have created a suite of innovative credit, savings and investment and insurance products targeted at the entire socio-economic spectrum of the rural population – farmers, traders, entrepreneurs and other rural households, including those at the most vulnerable level of the income pyramid. We have developed new models of outreach in rural India through a wide range of partnerships with entities that are vitally interested in rural development and share our own objectives, such as companies that depend on agriculture. We have identified micro-finance institutions as a key mode of outreach, and are seeking to combine their social mobilization skills with our financial strength and expertise. We are indeed moving from partnering with existing micro-finance institutions to supporting the development of new entities, through dedicated training and sponsorship.

Technology is a key element of our rural banking strategy. Several years ago, we pioneered the large-scale delivery of technology-enabled banking services in urban India. We are now extending this to the rural areas, through internet kiosks, specially developed ATMs and smart cards with bio-metric authentication. We are facilitating the creation of a shared technology platform to be used by micro-finance institutions, to enable seamless and low-cost operations.

These initiatives are at various stages, and we have a long way to go. The challenge before us is to scale up the implementation of these plans and make a meaningful difference to the rural landscape. We will continue to innovate and evolve, and work in close coordination with policy-makers, regulators and other enterprises that are seeking to unleash the potential of the rural economy. This is the next stage in the growth and expansion of ICICI Bank, and we hope that we will be able to fulfil the promise of our initial success. We look forward to all our stakeholders joining us on this journey.

N. VAGHUL
Chairman

Letter from the Managing Director & CEO

Dear Stakeholders,

The Indian economy has demonstrated a shift to a higher growth trajectory with the average annual growth rate of real GDP increasing from 5.8% in the 1980s to 6.3% during 1992-2006. More recently, the economy has shown an even more accelerated growth momentum, with average GDP growth of around 8% per annum during the last three years. A look at the history of some of the world's major economies shows that high growth can be sustained for a long period of time. For instance, after the Second World War, Japan grew at a compounded annual growth rate of 8.5% from 1955 to 1975. During this period its GDP increased by over five times. Similarly China has grown at a compounded annual growth rate of 9.5% since its economic reform process started in 1979 and its GDP has increased by about ten times in this period. The Indian economy today has the same characteristics as these economies in the early years of their growth: favourable demographics, human capital, rising competitiveness of industry and increasing savings rate.

Our favourable demographic profile, with 69% of the population being less than 35 years of age, is spurring consumption demand. The Indian consumer now seeks to fulfill his lifestyle aspirations at a younger age, with an optimal combination of equity and debt to finance consumption and asset creation. The last few years have seen the Indian industry make a strong recovery. Our companies have become more efficient in terms of processes and quality, have better capital structures and are becoming competitive on a global scale. India is also becoming a major hub for manufacturing and export of manufactured products. The big growth story of the last decade has of course been the services sector. The services sector has established a completely new growth paradigm. It has brought to the fore the knowledge capital and entrepreneurial ability of the Indian people. By sublimating our knowledge capital into wealth creation, we have demonstrated that our people, not just our mines, land, factories and physical production facilities, are our key economic resource. The strengthening of economic activity in the recent years has been supported by increase in gross domestic investment rates from 23.0% of GDP in fiscal 2002 to 30.1% in fiscal 2005, coupled with more efficient use of capital. Gross domestic savings rate has also improved from 26.5% to 29.1% during the same period. This saving-investment balance imparts stability and provides the foundation for sustained growth. India today is indeed at the cusp of a paradigm change in its growth trajectory and its position in the world.

The ICICI group has built sound growth platforms for capitalising on the opportunities arising out of the sustained growth of the Indian economy. We identified retail finance as the key growth opportunity at the beginning of the decade and built a scalable platform for capitalising on this opportunity. Today we continue to maintain our leadership position in retail credit across the full spectrum of products. We also continue to maintain our leadership position among private sector in life and non-life insurance providers. We have deepened our relationships with the corporate sector to offer a full suite of products like transaction banking, foreign exchange and derivatives apart from working capital loans and project finance. International business, the third horizon of our growth, has seen rapid progress in the last year. We are now present in 13 geographies and are serving the banking needs of Indian corporates going global and the Indian diaspora present across the world. We have used technology as a key enabler and differentiator for all our growth platforms. This has allowed us to achieve efficient intermediation by enabling rapid scale up and at the same time offer the best class service to our customers.

A critical factor in the long-term sustainability of social development and economic prosperity in India is bringing the benefits of economic growth to rural India. It is only by delivering financial services to people in rural areas that they can be brought within the ambit of mainstream economic activity and the full potential of the country's physical and human resources can be realised. We see the rural markets as the next horizon of growth for us and are creating a holistic proposition to address this opportunity. Our strategy is to offer a full spectrum of products to meet the needs of various segments of the rural population through a combination of innovative channels, in a profitable manner. We are using technology extensively to address the challenges associated with delivery of financial services in rural areas. Our rural portfolio has more than doubled in the last year and we hope to significantly scale up our operations in the future.

Given the long terms prospects of the economy and opportunities in each of our areas of business we strengthened our capital base by raising additional equity capital of about Rs. 80.00 billion This has significantly enhanced our ability to capitalise on the growth opportunities.

We believe that we have created a sound platform in each of the areas of opportunity presented by the Indian economy. We also have the required financial, human and technical resources to build a superstructure on this foundation and create value for all our stakeholders. We look forward to your continued support in this endeavour.

K. Vaman Kamath

K.V. KAMATH
Managing Director & CEO

Board of Directors

N. Vaghul, Chairman
Sridar Iyengar
R. K. Joshi
L. N. Mittal
Narendra Murkumbi
Anupam Puri
Vinod Rai
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, *Joint Managing Director*
Chanda D. Kochhar, *Deputy Managing Director*
Nachiket Mor, *Deputy Managing Director*

Senior Management

Senior General Managers

Bhargav Dasgupta
Sanjiv Kerkar
Vishakha Mulye, Chief Financial Officer & Treasurer
Ramni Nirula
Nagesh Pinge
Madhabi Puri-Buch
K. Ramkumar
V. Vaidyanathan
Pravir Vohra

Jyotin Mehta
General Manager & Company Secretary

Board Committees

Audit Committee
Sridar Iyengar, *Chairman*
Narendra Murkumbi
M. K. Sharma

Board Governance & Remuneration Committee
N. Vaghul, *Chairman*
Anupam Puri
M. K. Sharma
P. M. Sinha
Marti G. Subrahmanyam

Credit Committee
N. Vaghul, *Chairman*
Narendra Murkumbi
M. K. Sharma
P. M. Sinha
K. V. Kamath

Fraud Monitoring Committee
M. K. Sharma, *Chairman*
Narendra Murkumbi
K. V. Kamath
Kalpana Morparia
Chanda D. Kochhar

Risk Committee
N. Vaghul, *Chairman*
Sridar Iyengar
Marti G. Subrahmanyam
V. Prem Watsa
K. V. Kamath

Share Transfer & Shareholders'/ Investors' Grievance Committee
M. K. Sharma, *Chairman*
Narendra Murkumbi
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

Directors' Report

Your Directors have pleasure in presenting the Twelfth Annual Report of ICICI Bank Limited with the audited statement of accounts for the year ended March 31, 2006.

FINANCIAL HIGHLIGHTS

The financial performance for fiscal 2006 is summarised in the following table:

Rs. billion, except percentages	Fiscal 2005	Fiscal 2006	% change
Net interest income and other income	62.55	91.71	46.6
Operating profit	29.56	46.90	58.7
Provisions & contingencies	4.29	15.94	271.6
Profit before tax	25.27	30.97	22.6
Profit after tax	20.05	25.40	26.7
Consolidated profit after tax	18.52	24.20	30.6

APPROPRIATIONS

The profit & loss account shows a profit after taxation of Rs. 25.40 billion after provisions and contingencies of Rs.15.94 billion (including Rs. 8.02 billion on account of amortisation of premium on government securities) and after taking into account all expenses. The disposable profit is Rs. 27.28 billion, taking into account the balance of Rs. 1.88 billion brought forward from the previous year. Your Directors have recommended a dividend rate of 85% (Rs. 8.50 per equity share of Rs. 10) for the year and have appropriated the disposable profit as follows:

Rs. billion	Fiscal 2005	Fiscal 2006
To Statutory Reserve, making in all Rs. 20.99 billion	5.02	6.36
To Investment Fluctuation Reserve (IFR)	—(2)	—(1)
To Special Reserve created and maintained in terms of Section 36(1)(viii) of the Income-tax Act, 1961, making in all Rs. 14.69 billion	0.25	2.75
To Revenue and other Reserves, making in all Rs. 50.84 billion	6.20(2)	0.68(1)
Dividend for the year (proposed)		
- On equity shares @ 85% (@85%(3) for fiscal 2005)	6.33	7.59
- On preference shares (Rs.)	35,000	35,000
- Corporate dividend tax	0.90	1.06
Leaving balance to be carried forward to the next year	1.88	2.93

(1) In addition to appropriation of profits, balance in IFR of Rs. 13.20 billion (after appropriation to IFR during the year of Rs. 8.04 billion) was transferred to revenue and other reserves.

(2) In addition to appropriation of disposable profits, excess balance of Rs. 2.14 billion in IFR was transferred to Revenue and other Reserves in fiscal 2005. This amount was re-appropriated back to IFR in the quarter ended June 30, 2005.

(3) Including a special dividend of 10% to mark the completion of 50 years in finance by the ICICI group.

ISSUANCE OF EQUITY CAPITAL

In fiscal 2006, ICICI Bank successfully concluded a capital raising exercise, raising a total of Rs. 80.01 billion through the first simultaneous public issue in India and American Depositary Share (ADS) issue in the United States, with a Public Offering Without Listing (POWL) of ADSs in Japan. The public issue in India was subscribed approximately seven times. The issue was priced at Rs. 525 in the domestic market and USD 26.75 in the ADS market which represented a discount of under 1% to the last closing price on stock exchanges in India and the United States, respectively.

SUBSIDIARY COMPANIES

At March 31, 2006, ICICI Bank had 16 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[4]	ICICI International Limited
ICICI Investment Management Company Limited	ICICI Bank Eurasia Limited Liability Company[3]
ICICI Trusteeship Services Limited	
ICICI Brokerage Services Limited[1]	
Prudential ICICI Asset Management Company Limited[5]	
Prudential ICICI Trust Limited[5]	

(1) Subsidiary of ICICI Securities Limited

(2) Subsidiary of ICICI Securities Holdings Inc.

(3) Formerly known as Investitsionno-kreditny Bank.

(4) ICICI Distribution Finance Private Limited, a subsidiary of ICICI Bank, merged with ICICI Home Finance Company Limited, effective August 11, 2005.

(5) Prudential ICICI Asset Management Company Limited and Prudential ICICI Trust Limited became subsidiaries of ICICI Bank effective August 26, 2005, pursuant to the acquisition of additional 6% of the equity share capital of these companies by ICICI Bank from Prudential Corporation Holdings Limited.

Fullfilling a variety of banking and finance needs across customer segments

Banking Accounts

ICICI Bank offers a range of banking accounts tailor-made for every customer segment, from children to senior citizens. Convenience and ease of access are the benefits of ICICI Bank accounts.

Insurance

The ICICI group offers a range of insurance products to cover varying needs ranging from life, pensions and health, to home, motor and travel insurance. The products are made accessible to customers through a wide network of advisors, bank partners, corporate agents and brokers with the added convenience of being able to buy online.

Asset Management

Prudential ICICI Asset Management Company offers a wide range of retail mutual fund products tailored to suit varied risk and maturity profiles.

Trade Services

ICICI Bank offers online remittances as well as online processing of Letters of Credit and Bank Guarantees.

As approved by the Central Government vide letter dated June 16, 2006 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 each of the subsidiary companies have not been attached to the accounts of the Bank for fiscal 2006. The Bank will make available these documents/details upon request by any Member of the Bank. 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.

Lalita D. Gupte Joint Managing Director

"If fiscal 2005 saw the Bank take its first steps to becoming an international bank, fiscal 2006 was the year where this transformation was most visible. We leveraged our international branches and subsidiaries to the maximum, continuing to build our customer base amongst the NRIs while adding a significant number of local customers as well. What's more, this growth in customer numbers came as we continued to maintain and even better the levels of service quality."

DIRECTORS

Pursuant to the provisions of Section 10A(2A) of the Banking Regulation Act, 1949, Uday M. Chitale and Somesh R. Sathe retired from the Board effective August 21, 2005 and January 29, 2006, respectively, on completion of eight years as non-wholetime directors of the Bank. The Board places on record its appreciation of the valuable contribution made by them to the Bank's growth and development.

The Board, at its Meeting held on October 13, 2005, appointed R. K. Joshi, Chairman-cum-Managing Director, General Insurance Corporation of India as an additional Director of the Bank. The Board at its Meeting held on January 20, 2006 appointed Narendra Murkumbi, founder Managing Director, Shree Renuka Sugars Limited as an additional Director of the Bank. R. K. Joshi and Narendra Murkumbi hold office up to the date of the forthcoming Annual General Meeting (AGM) but are eligible for appointment.

Cash Management

ICICI Bank offers a complete range of highly customised solutions for managing both the collections and payments requirements of clients by leveraging technology. Daily customised transaction reports and real time web-enabled downloads, provide on-tap information facilitating effective working capital management.

Treasury Solutions

ICICI bank's vision of being the leading provider of risk and market solutions is articulated and delivered through the Global Markets Group, ICICI Bank's client-centric treasury. The Bank delivers innovative, cost effective products to its clients in India and other geographies. It has a significant share of the risk solutions market (forex, fixed income and derivatives) in India on account of its franchise, ability to understand the client's business and its capability to structure solutions to complex problems on a strategic as well as a transactional plane.

SME Services

ICICI Bank offers the SME segment end-to-end solutions that simplify and speed up business. These solutions span a gamut of services, comprising credit solutions like term loans, working capital (fund based and non-fund based), transaction banking solutions like cash management services, trade finance and forex services, investment services and risk management solutions like derivatives.

Corporate Banking

ICICI Bank offers comprehensive and customised financial solutions for its corporate clients, including rupee and foreign currency debts, working capital credit, structured financing syndication and transaction banking products and services.

Kalpana Morparia Joint Managing Director

"A key enabler of our growth and market leadership across businesses has been our young, energetic, talented and diverse employee base. Our growth has been driven by the continued support of a wide range of shareholders in India and overseas. We continue to attract the financial capital and human talent necessary to leverage the opportunities before us."

Reserve Bank of India (RBI) vide its letter dated January 23, 2006 has approved the re-appointment of the following wholetime Directors of the Bank:

- Re-appointment of K.V. Kamath, Managing Director & CEO from May 1, 2006, till April 30, 2009.
- Re-appointment of Kalpana Morparia from May 1, 2006, till May 31, 2007.
- Re-appointment of Chanda D. Kochhar and Nachiket Mor from April 1, 2006, till March 31, 2009.

The Board of Directors at its Meeting held on April 29, 2006, elevated Kalpana Morparia as Joint Managing Director and Chanda D. Kochhar and Nachiket Mor as Deputy Managing Directors.

In terms of the provisions of the Companies Act, 1956 and the Articles of Association of the Bank, L. N. Mittal, P. M. Sinha, V. Prem Watsa and Lalita D. Gupte would retire by rotation at the forthcoming AGM and, being eligible, offer themselves for re-appointment.

AUDITORS

S. R. Batliboi & Co., Chartered Accountants, will retire at the forthcoming AGM. They have been statutory auditors of the Bank for the last four years, which is the maximum term of appointment of auditors permitted by RBI. The Audit Committee of the Board and the Board of Directors have placed on record their sincere appreciation of the professional service rendered by S. R. Batliboi & Co., as statutory auditors.

As recommended by the Audit Committee, the Board has proposed the appointment of BSR & Co., Chartered Accountants as statutory auditors for fiscal 2007. You are requested to consider their appointment. Their appointment has been approved by RBI.

Providing customised products and services for all

Microfinance

ICICI Bank assists over 2.5 million low income clients to build livelihoods by partnering with over 100 microfinance institutions.

Rural Banking

ICICI Bank offers technology-based solutions, financial innovations and multiple delivery channels to meet the financial needs of rural India.

Credit Cards

ICICI Bank offers a wide range of power packed credit cards to suit different consumer needs and helps millions of Indians live life to the fullest. Attractive offers and exclusive benefits mark the advantages of ICICI Bank credit cards.

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. At March 31, 2006, ICICI Bank had 82 nominee directors of whom 53 are employees of the Bank, on the boards of 132 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, generally comprising a majority of independent Directors and chaired by an independent Director, to oversee critical areas.

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

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, on the accounting policies and procedures adopted for any area or item and report them to the Audit Committee through specified channels. This mechanism has been communicated and posted on the Bank's intranet.

Prevention of Insider Trading

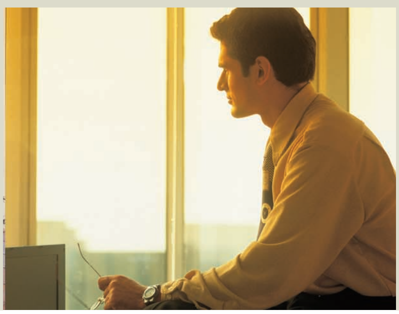
In accordance with the requirements of SEBI (Prohibition of Insider Trading) Regulations, 1992, ICICI Bank has instituted a comprehensive code of conduct for prevention of insider trading.

Demat Accounts

ICICI Bank's demat services offer unique features like e-instructions, consolidation, digitally signed statements, mobile requests and corporate benefits tracking.

Property Solutions

For millions of home buyers across the country, ICICI Bank offers not just great deals on home loans but also a wealth of expert advice. ICICI Bank offers Home Search services which can help a customer identify the property of his choice based on his budget and other requirements.



NRI banking

A gamut of services to take care of all NRI banking needs including deposits, money transfers and private banking.

Money2India

A complete range of online and offline money transfer solutions to send money to India.

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. This Code is also available on the website of the Bank, www.icicibank.com. In terms of the revised Clause 49 of the listing agreement, a confirmation from the Managing Director & CEO regarding compliance with the Code by all the Directors and Senior Management is given on page 27 of the Annual Report.

CEO/CFO certification

In terms of revised Clause 49 of the Listing Agreement, the certification by the CEO and CFO on the financial statements and internal controls relating to financial reporting has been obtained.

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 eight committees, namely, Audit Committee, Board Governance & Remuneration Committee, Credit Committee, Fraud Monitoring Committee, Risk Committee, Share Transfer & Shareholders'/Investors' Grievance Committee, Committee of Directors and Asset Liability Management Committee.

In view of similarity of powers and functions of the Agriculture & Small Enterprises Business (ASEB) Committee and Credit Committee, ASEB Committee was dissolved effective October 13, 2005 and the powers of the ASEB Committee were vested in the Credit Committee. Further, as the Bank's budget and other strategic issues were being reviewed directly by the Board at its annual offsite meeting convened for this purpose, the Business Strategy Committee was dissolved effective April 29, 2006.

A majority of these Board Committees are chaired by independent professional Directors, and mainly consist of independent Directors.

At March 31, 2006, the Board of Directors consisted of 17 Members. There were six meetings of the Board during fiscal 2006 – on April 30, July 30, August 20 and October 13 in 2005 and January 20 and March 3-4 in 2006. The names of Board Members, their attendance at Board Meetings during the year and the number of other directorships and board committee memberships held by them at March 31, 2006 are set out in the following table:

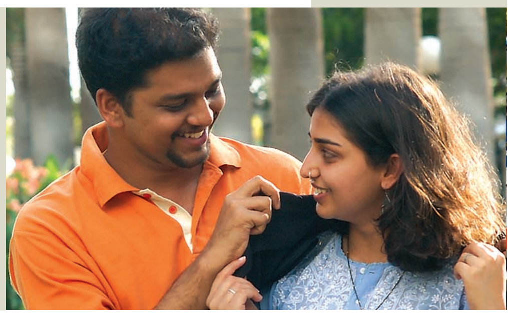
Enriching lives and enhancing lifestyles at every stage

Young Stars

A special portal for children to learn banking basics, manage personal finances and have a lot of fun.

bank@campus

This student banking service gives students access to their account details at the click of a mouse. Plus, the student gets a cheque book, debit card and annual statements.

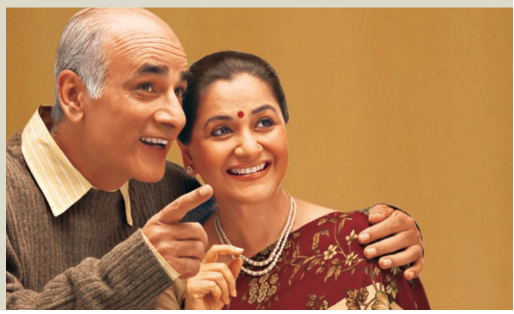


Savings Accounts

Convenience is the name of the game with ICICI Bank's savings account. Whether it is an ATM/debit card, easy withdrawal, easy loan options or internet banking, ICICI Bank's savings account always keeps you in touch with your money.

Name of Member	Board Meetings attended during the year	Attendance at last AGM (August 20, 2005)	Number of other Directorships		Number of other Committee[3] memberships
			Of Indian Companies[1]	Of other Companies[2]	
Independent Directors					
N. Vaghul	6	Present	10	7	4(1)
Sridar Iyengar (w.e.f. April 30, 2005)	4	Present	3	5	3(1)
R. K. Joshi (w.e.f. October 13, 2005)	2	N.A.	10	1	4(1)
L. N. Mittal[a]	3	Absent	2	14	-
Narendra Murkumbi (w.e.f January 20, 2006)	2	N.A.	1	3	1
Anupam Puri	3	Absent	5	-	3(1)
Vinod Rai [c]	3	Absent	4	-	1
M. K. Sharma	5	Present	4	1	1
P. M. Sinha	6	Present	3	2	3(1)
Marti G. Subrahmanyam[b]	3	Absent	1	9	1
T. S. Vijayan (w.e.f. April 30, 2005)	5	Present	4	2	-
V. Prem Watsa [b]	1	Absent	-	17	-
Wholetime Directors					
K. V. Kamath	6	Present	5	7	-
Lalita D. Gupte	6	Present	4	3	2
Kalpana Morparia	6	Present	6	-	2
Chanda Kochhar	6	Present	2	-	1(1)
Nachiket Mor	6	Present	3	3	1
Directors for part of the year					
P. C. Ghosh (up to May 6, 2005)	1	N.A.	N.A.	N.A.	N.A.
Uday M. Chitale (up to August 20, 2005)	3	Present	N.A.	N.A.	N.A.
Somesh R. Sathe (up to January 28, 2006)	3	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.
(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 Audit Committee and Share Transfer & Shareholders'/Investors' Grievance Committee. Figures in parentheses indicate committee chairmanships.



Loans

ICICI Bank's loans come with a range of benefits including simplified documentation, attractive interest rates, doorstep service and varying tenures to suit your needs.

Fixed Deposits

ICICI Bank offers a range of deposit solutions to meet varying needs at every stage of life. It offers a range of tenures and other features to suit all requirements.

Senior Citizen Services

A suite of products and services created specially for senior citizens, offering higher interest rates and a host of convenient features including loans against deposits, payable at par cheque books, ATM/debit cards and internet banking facility.

II. Audit Committee

Terms of Reference

The Audit Committee provides direction to the audit function and monitors the quality of internal and statutory audit. The responsibilities of the Audit Committee include overseeing the financial reporting process to ensure fairness, sufficiency and credibility of financial statements, recommendation of appointment and removal of central and branch statutory auditors and chief internal auditor and fixation of their remuneration, approval of payment to statutory auditors for other services rendered by them, review of functioning of Whistle Blower Policy, review of the quarterly and annual financial statements before submission to Board, review of the adequacy of internal control systems and the internal audit function, review of compliance with the inspection and audit reports and reports of statutory auditors, review of the findings of internal investigations, review of statement of significant related party transactions, review of management letters/letter of internal control weaknesses issued by statutory auditors, 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. The Committee is also empowered to appoint/oversee the work of any registered public accounting firm, establish procedures for receipt and treatment of complaints received regarding accounting and auditing matters, engage independent counsel as also provide for appropriate funding for compensation to be paid to any firm/advisors.

Composition

The Audit Committee comprises three independent Directors and is chaired by Sridar Iyengar. There were six meetings of the Committee during the year. The details of the composition of the Committee and attendance at its Meetings are set out in the following table:

Name of Member	Number of Meetings attended
Sridar Iyengar (w.e.f. August 21, 2005; Chairman w.e.f. October 12, 2005)	5(1)
Uday Chitale, Chairman (up to August 20, 2005)	2
M. K. Sharma, Alternate Chairman	5
Somesh R. Sathe (up to January 28, 2006)	3
Narendra Murkumbi (w.e.f. January 29, 2006)	1

(1) Including one Meeting as invitee prior to his appointment as a Member.

Reaching customers anywhere, anytime

Branch Network

ICICI Bank has a network of over 630 branches (of which 51 are extension counters) across the country. The network puts a wide range of banking products and financial services within easy reach of retail and corporate customers.

Phone Banking

Phone Banking offers 24x7 service across liability, asset and investment products to both retail and corporate customers.

Rural Kiosk

A network of about 4,300 rural internet kiosks provide access to a range of financial services and products at the village level. These kiosks, owned and run by rural entrepreneurs, act as the last mile link to the rural customers. In addition to ICICI Bank's financial services, kiosks also provide services related to health, education and e-governance.

III. 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 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 ICICI Bank 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 three meetings of the Committee during the year. The details of the composition of the Committee and attendance at its Meetings are set out in the following table:

Chanda D. Kochhar Deputy Managing Director

"We provide complete financial solutions for our retail and corporate customers by leaveraging our strengths in distribution, technology and human capital. Innovation and excellence in execution will continue to be the drivers for consolidating our leadership position in financial services and products across geographies."

Name of Member	Number of Meetings attended
N. Vaghul, Chairman	3
Anupam Puri	2
M. K. Sharma	3
P. M. Sinha	2
Marti G. Subrahmanyam[1]	2

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

ATMs

With over 2,200 ATMs across the country, ICICI Bank has one of the largest ATM networks in India.

Internet Banking

Internet Banking is available to all ICICI Bank savings and deposit account holders, credit card, demat and loan customers. Our internet banking service offers our customers a world of convenience with services such as balance enquiry, transaction history, account statements, bill payments, funds transfers, and account-related service requests.

Mobile Banking

ICICI Bank's account holders, credit card holders, demat account holders and loan customers can access their accounts on the move with mobile banking.

Nachiket Mor Deputy Managing Director

"We are seeking to build our rural presence by providing high quality financial services in association with strong community based partners, effectively combining our financial and technological capabilities with their on-ground presence and deep understanding of local needs."

Remuneration policy

The Board Governance & Remuneration Committee determines and recommends to the Board the amount of remuneration, including performance bonus and perquisites, payable to the wholetime Directors. The recommendations of the Committee are based on evaluation of the wholetime Directors on certain parameters.

The following table sets out the details of remuneration (including perquisites, bonus and retiral benefits) paid to wholetime Directors for fiscal 2006 and details of stock options granted for the three years ended March 31, 2006:

	K. V. Kamath	Lalita D. Gupte	Kalpana Morparia	Chanda D. Kochhar	Nachiket Mor
Break-up of remuneration (Rupees)					
Basic	9,840,000	7,380,000	6,000,000	4,500,000	4,500,000
Performance bonus for fiscal 2006	5,215,200	3,911,400	3,180,000	2,385,000	2,385,000
Allowances and perquisites(1)	7,068,181	5,521,564	2,891,539	3,963,983 (2)	2,349,013 (2)
Contribution to provident fund	1,180,800	885,600	720,000	540,000	540,000
Contribution to superannuation fund	1,476,000	1,107,000	900,000	—	—
Stock options (Numbers)					
Fiscal 2006	250,000	165,000	165,000	125,000	125,000
Fiscal 2005	250,000	165,000	150,000	125,000	125,000
Fiscal 2004	250,000	165,000	150,000	125,000	125,000

(1) Includes leave travel allowance availed : K.V. Kamath – Rs. 2,050,000, Lalita D. Gupte – 4,050,000, Kalpana Morparia – Rs. 1,250,000 and Chanda D. Kochhar – Rs. 2,187,500 and leave encashment : K.V. Kamath – Rs. 1,230,000, Lalita D. Gupte – Rs. 676,500, Kalpana Morparia – Rs. 550,000 and Chanda D. Kochhar – Rs. 12,500.

(2) Includes superannuation allowance paid with salary – Rs. 675,000.

Perquisites (evaluated as per Income-tax Rules wherever applicable and otherwise at actual cost to the Bank) 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 concession, 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 is not provided, the concerned wholetime Director is eligible for house rent allowance of Rs. 50,000 per month and maintenance of accommodation, including furniture, fixtures and furnishings provided by the Bank.

As provided under Article 132 of the Articles of Association of the Bank, the fees payable to a Director (other than to the nominee of Government of India) for attending a Meeting of the Board or Committee thereof are decided by the Board of Directors from time to time within the limits prescribed by the Companies Act, 1956 or the Central Government. The Board of Directors have approved the payment of Rs. 20,000 as sitting fees for each meeting of Board or Committee attended. This amount is within the limits prescribed by the Ministry of Company Affairs vide its Notification dated July 24, 2003. Approval of the Members for payment of sitting fees to the Directors had been obtained at the AGM held on August 20, 2005.

Information on the total sitting fees paid to each of the non-wholetime Directors during fiscal 2006 for attending Meetings of the Board and Committees is set out in the following table:

Name of Director	Amount (Rupees)
N. Vaghul	540,000
Uday Chitale (up to August 20, 2005)	240,000
Sridar Iyengar (w.e.f. April 30, 2005)	240,000
P. C. Ghosh (up to May 6, 2005)	20,000
R. K. Joshi (w.e.f. October 13, 2005)	40,000
Narendra Murkumbi (w.e.f. January 20, 2006)	80,000
L. N. Mittal	60,000
Anupam Puri	100,000
Somesh R. Sathe (up to January 28, 2006)	480,000
M. K. Sharma	680,000
P. M. Sinha	200,000
Marti G. Subrahmanyam	140,000
T. S. Vijayan (w.e.f. April 30, 2005)	100,000
V. Prem Watsa	40,000
Total	**2,960,000**

The details of shares and convertible instruments of the Bank, held by the non-wholetime Directors as on March 31, 2006 are set out in the following table:

Name of Director	Instrument	No. of shares held
N. Vaghul	Equity	27,543
Sridar Iyengar		Nil
R. K. Joshi		Nil
Narendra Murkumbi		Nil
L. N. Mittal	Equity	3,110,700
Anupam Puri		Nil
M. K. Sharma	Equity	5,050
P. M. Sinha		Nil
Marti Subrahmanyam	Equity	1,613
	American Depositary Share (ADS)[1]	29,500
T. S. Vijayan		Nil
V. Prem Watsa		Nil

(1) One ADS represents two equity shares.

IV. 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 five Directors. It is chaired by N. Vaghul and a majority of its members are independent Directors. There were 16 meetings of the Committee during the year. The details of the composition of the Committee and attendance at its Meetings are as follows:

Name of Member	Number of Meetings attended
N. Vaghul, Chairman	15
Narendra Murkumbi (w.e.f. April 29, 2006)	N.A.
Somesh R. Sathe (up to January 28, 2006)	10
M.K. Sharma	14
P. M. Sinha (w.e.f. October 13, 2005)	2
K. V. Kamath	15

V. Fraud Monitoring Committee

Terms of reference

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

Composition

The Fraud Monitoring Committee comprises five Directors, namely, M. K. Sharma, Narendra Murkumbi (w.e.f. January 29, 2006), K. V. Kamath, Kalpana Morparia and Chanda D. Kochhar and is chaired by M. K. Sharma. Uday Chitale was the Chairman of the Committee up to August 20, 2005.

There was one meeting of the Committee held in August 2005, which was attended by all the Members except Kalpana Morparia, who participated through tele-conference.

VI. Risk Committee

Terms of reference

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

Composition

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

Name of Member	Number of Meetings attended
N. Vaghul, Chairman	3
Uday Chitale (up to August 20, 2005)	1
Sridar Iyengar (w.e.f. August 21, 2005)	2
Marti G. Subrahmanyam[(1)]	2
V. Prem Watsa	1
K. V. Kamath	3

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

VII. 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 M. K. Sharma, 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 Chitale, Chairman (up to August 20, 2005)	5
M. K. Sharma, Chairman (w.e.f. August 21, 2005)	6
Somesh R. Sathe (up to January 28, 2006)	8
Narendra Murkumbi (w.e.f. January 29, 2006)	1
Kalpana Morparia	6
Chanda D. Kochhar	10

Jyotin Mehta, General Manager & Company Secretary is the Compliance Officer. 5,812 shareholder complaints received in fiscal 2006 were processed to the satisfaction of shareholders. At March 31, 2006, five complaints were pending.

VIII. Committee of Directors

Terms of reference

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

Composition

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

IX. 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 Directors and Deputy Managing Directors and is chaired by Lalita D. Gupte, Joint Managing Director.

X. General Body Meetings

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

General Body Meeting	Day, Date	Time	Venue
Ninth Annual General Meeting	Monday, August 25, 2003	2.00 p.m.	Professor Chandravadan Mehta Auditorium, General Education Centre, Opposite D. N. Hall Ground, The Maharaja Sayajirao University, Pratapgunj, Vadodara 390 002
Extraordinary General Meeting	Friday, March 12, 2004	2.00 p.m.	
Tenth Annual General Meeting	Monday, September 20, 2004	2.00 p.m.	
Eleventh Annual General Meeting	Saturday, August 20, 2005	1.30 p.m.	

Special Resolutions

The details of Special Resolutions passed at the General Body Meetings of shareholders in the last three years are given below:

General Body Meeting	Day, Date	Resolution
Ninth Annual General Meeting	Monday, August 25, 2003	• Delisting of shares and bonds from select stock exchanges
Extraordinary General Meeting	Friday, March 12, 2004	• Issue of equity shares
Tenth Annual General Meeting	Monday, September 20, 2004	• Amendment to ESOS – for employees/ Directors of the Bank • Amendment to ESOS – for employees/ Directors of subsidiary companies/ holding company of the Bank
Eleventh Annual General Meeting	Saturday, August 20, 2005	• Amendment to the Articles of Association of the Company for re-classification of the authorised share capital. • Issue of preference shares

Postal Ballot

Though not mandatorily required, to facilitate wider participation in the approval process, approval of shareholders for the issue of equity shares was sought through postal ballot. R. Hariharan, Executive Director, S & S Business Solutions Private Limited was appointed as scrutiniser for conducting postal ballot process. Notices were sent to 407,553 shareholders and the last date for receiving the postal ballot forms by the scrutiniser was November 16, 2005. Till that date, 19,816 forms were received. According to the scrutiniser's report, the Resolution was passed by majority of 96.52%. The result of the postal ballot was declared on November 19, 2005 and published on November 21, 2005 in the Financial Express (Ahmedabad, Bangalore, Chandigarh, Chennai, Delhi, Kochi, Kolkata and Mumbai editions) and in Vadodara Samachar (Vadodara) for the information of Members.

The Bank has followed the procedure as prescribed under Companies (Passing of the Resolutions by Postal Ballot), Rules 2001.

XI. 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. During the year, Reserve Bank of India has levied penalty on the Bank, details of which are given in Note No. 35 of the Notes to Accounts. Other than this, no penalties or strictures were imposed on

the Bank by any of the stock exchanges, Securities and Exchange Board of India (SEBI) or any other statutory authority, for any non-compliance on any matter relating to capital markets, during the last three years.

XII. 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 SEBI and Securities Exchange Commission (SEC) guidelines, all information which could have a material bearing on ICICI Bank's share price is released through leading domestic and global wire agencies. ICICI Bank also circulates its half-yearly results to all 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 the 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 available on the website of ICICI Bank.

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

General Shareholder Information

Twelfth Annual General Meeting

Date	Time	Venue
Saturday, July 22, 2006	1.30 p.m.	Professor Chandravadan Mehta Auditorium, General Education Centre, Opposite D. N. Hall Ground, The Maharaja Sayajirao University, Pratapgunj, Vadodara 390 002.

Financial Calendar	April 1 to March 31
Book Closure	July 8, 2006 to July 22, 2006
Dividend Payment Date	July 24, 2006

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

Stock Exchange	Code for ICICI Bank
Bombay Stock Exchange Limited (BSE) Phiroze Jeejeebhoy Towers Dalal Street, Mumbai 400 001	532174 & 632174[(1)]
National Stock Exchange of India Limited (NSE) Exchange Plaza, Bandra-Kurla Complex Bandra (East), Mumbai 400 051	ICICIBANK
New York Stock Exchange (ADSs)[(2)] 11, Wall Street, New York, NY 10005, United States of America	IBN

(1) FII segment of BSE.

(2) Each ADS of ICICI Bank represents two underlying equity shares.

ICICI Bank has paid annual listing fees for the relevant periods on its capital to BSE, NSE and 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 2006 on BSE and NSE are set out in the following table:

Month	BSE			NSE			Total volume on BSE and NSE
	High (Rs.)	Low (Rs.)	Volume	High (Rs.)	Low (Rs.)	Volume	
April 2005	424.55	360.20	20,274,502	425.45	359.95	25,015,675	45,290,177
May 2005	402.70	361.50	16,828,805	402.55	360.35	10,167,111	26,995,916
June 2005	432.55	392.25	24,779,603	433.95	392.15	12,585,888	37,365,491
July 2005	536.00	421.30	20,546,843	534.45	421.25	21,794,366	42,341,209
August 2005	533.30	471.75	12,981,543	538.40	467.95	15,852,115	28,833,658
September 2005	600.35	481.75	25,243,607	601.70	481.50	20,216,088	45,459,695
October 2005	593.30	480.65	29,471,237	593.40	479.90	29,451,947	58,923,184
November 2005	545.65	497.15	14,085,747	545.40	498.65	18,523,954	32,609,701
December 2005	587.80	529.95	24,402,507	586.55	529.90	41,803,529	66,206,036
January 2006	619.35	559.25	35,112,507	619.55	559.15	47,644,009	82,756,516
February 2006	627.95	570.60	17,861,030	628.75	570.95	25,134,188	42,995,218
March 2006	620.15	589.25	26,151,336	620.40	588.70	14,532,479	40,683,815
Fiscal 2006	627.95	360.20	267,739,267	628.75	359.95	282,721,349	550,460,616

Note : For BSE, the high and low closing prices are for scrip code 532174 and volumes are aggregated volumes for scrip codes 532174 and 632174.

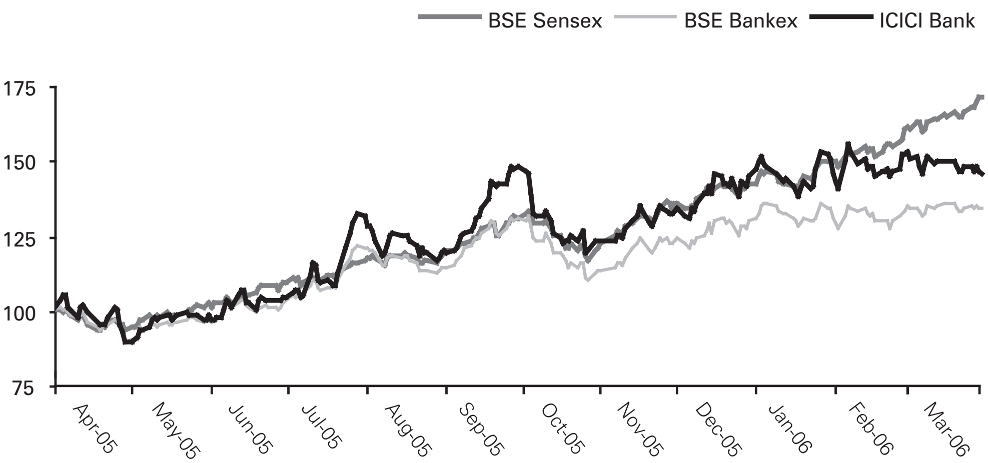
Source: BSE and NSE.

The reported high and low closing prices and volume of ADSs of ICICI Bank traded during fiscal 2006 on the NYSE are given below:

Month	High (US$)	Low (US$)	Number of ADSs traded
April 2005	20.75	18.08	12,077,000
May 2005	20.21	18.50	10,018,900
June 2005	22.23	19.80	12,578,200
July 2005	26.41	22.00	12,320,300
August 2005	25.65	22.77	14,794,000
September 2005	28.25	23.35	16,376,400
October 2005	27.78	22.04	18,001,200
November 2005	25.67	23.59	14,797,100
December 2005	29.47	26.23	22,146,400
January 2006	32.00	28.44	22,690,100
February 2006	31.91	29.93	15,133,800
March 2006	32.26	27.68	20,280,900
Fiscal 2006	32.26	18.08	191,214,300

Source: Yahoo Finance.

The performance of the ICICI Bank equity share relative to the BSE Sensitive Index (Sensex) and the BSE Bank Index (Bankex) 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, 2,530,988 equity shares of ICICI Bank were transferred into electronic mode, involving 37,121 certificates. At March 31, 2006, 98.62% of ICICI Bank's paid-up equity share capital (including equity shares represented by ADSs constituting 26.81% of the paid-up equity share capital) comprising 877,563,214 equity shares had been dematerialised.

Physical share transfers are registered and returned generally within a period of seven days from the date of receipt, if the documents are correct and valid in all respects.

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

	Fiscal 2004	Fiscal 2005	Fiscal 2006
Number of transfer deeds	17,675	8,059	7,994
Number of shares transferred	1,105,135	413,245	437,044

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 practising Company Secretary, with 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 to BSE and NSE, where the equity shares are listed, within 24 hours of issuance 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 and Shareholders'/Investors' Grievance Committee and forwarded to BSE and NSE, where the equity shares of ICICI Bank are listed.

Registrar and Transfer Agents

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 No. : +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, 2006

Shareholder Category	Shares	% holding
Deutsche Bank Trust Company Americas (Depositary for ADS holders)	238,604,478	26.81
FIIs, NRIs, Foreign Banks, Foreign Companies, OCBs, Foreign National	418,729,918	47.06
Insurance Companies	111,948,530	12.58
Bodies Corporate	41,331,146	4.64
Banks & Financial Institutions	3,172,224	0.36
Mutual Funds	18,984,826	2.13
Individuals	57,052,779	6.41
Total	**889,823,901**	**100.00**

Shareholders of ICICI Bank with more than one per cent holding at March 31, 2006

Name of the Shareholder	No. of shares	% to total no. of shares
Deutsche Bank Trust Company Americas (Depositary for ADS holders)	238,604,478	26.81
Life Insurance Corporation of India	73,133,170	8.22
Allamanda Investments Pte. Limited	66,234,627	7.44
Crown Capital Limited	44,029,260	4.95
Bajaj Auto Limited	24,132,703	2.71
Government of Singapore	21,493,507	2.42
Copthall Mauritius Investment Limited	20,812,111	2.34
HWIC Asia Fund	19,928,269	2.24
The New India Assurance Company Limited	15,446,338	1.74
The Growth Fund of America Inc.	14,230,000	1.60
Morgan Stanley and Company International Limited A/c Morgan Stanley Dean Witter Mauritius Company Limited	14,013,463	1.57
Aberdeen Asset Managers Limited A/c Aberdeen International India Opportunities Fund (Mauritius) Limited	12,347,980	1.39
Capital World Growth and Income Fund Inc.	12,288,703	1.38
HSBC Global Investment Funds A/c HSBC Global Investment Funds Mauritius Limited	12,056,645	1.35
General Insurance Corporation of India	10,020,680	1.13

Distribution of shareholding of ICICI Bank at March 31, 2006

Range - Shares	No. of folios	%	No. of shares	%
Upto 1,000	506,762	99.10	44,896,036	5.05
1,001 – 5,000	3,565	0.70	7,174,909	0.81
5,001 – 10,000	406	0.08	2,916,408	0.33
10,001 – 50,000	313	0.06	6,768,275	0.76
50,001 & above	322	0.06	828,068,273	93.06
Total	**511,368**	**100.00**	**889,823,901**	**100.00**

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

ICICI Bank has about 119.3 million ADSs (equivalent to about 238.6 million equity shares) outstanding, which constituted 26.81% of ICICI Bank's total equity capital at March 31, 2006. 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 mentioned in the listing agreement, 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 & Company, 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% of ICICI Bank's issued equity shares on the date of the grant (equivalent to 44,494,852 shares at April 29, 2006).

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 in 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 preceeding 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 29, 2006 approved a grant of approximately 6.3 million options for fiscal 2006 to eligible employees (including employees of subsidiaries 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. 576.80, which was the last closing price on the stock exchange which recorded the highest trading volume in ICICI Bank shares on April 28, 2006.

Particulars of options granted by ICICI Bank upto April 29, 2006 are given below:

Options granted	40,206,155
Options vested	20,159,561
Options exercised	12,824,604
Number of shares allotted pursuant to exercise of options	12,824,604
Options forfeited/lapsed	3,870,015
Extinguishment or modification of options	—
Amount realised by exercise of options (Rs.)	1,952,644,811
Total number of options in force	23,511,536

Options granted by ICICI Bank to senior managerial personnel for fiscal 2006 are as follows: K. V. Kamath –250,000, Lalita D. Gupte –165,000, Kalpana Morparia –165,000, Chanda D. Kochhar –125,000, Nachiket Mor – 125,000, Bhargav Dasgupta – 75,000, Sanjiv Kerkar – 25,000, Vishakha Mulye – 75,000, Ramni Nirula – 40,000, Nagesh Pinge – 40,000, Madhabi Puri-Buch – 75,000, K. Ramkumar – 75,000, V. Vaidyanathan – 75,000, and Pravir Vohra – 40,000. 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 AS-20 was Rs. 32.15 in fiscal 2006 against basic EPS of Rs.32.49. 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 2006 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 2006 would have been higher by Rs.524.4 million and proforma profit after tax would have been Rs. 24.88 billion. On a proforma basis, ICICI Bank's basic and diluted earnings per share would have been Rs. 31.82 and Rs. 31.49, respectively. The key assumptions used to estimate the fair value of options are:

Risk-free interest rate	5.122% - 7.167%
Expected life	3 - 10 years
Expected volatility	37.670% - 41.032%
Expected dividend yield	1.978%- 4.060%

In respect of options granted in fiscal 2006, 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. 362.06 per share, Rs. 362.05 per option and Rs. 130.30 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.

ACKNOWLEDGEMENTS

ICICI Bank is grateful to the Government of India, RBI and SEBI, 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 : June 16, 2006

N. VAGHUL
Chairman

Compliance with the Code of Business Conduct and Ethics

I confirm that all Directors and Senior General Managers have affirmed compliance with ICICI Bank Code of Business Conduct and Ethics.

K. V. KAMATH
Managing Director & CEO

Place : Mumbai
Date : April 29, 2006

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 ('the Bank'), for the year ended on March 31, 2006, as stipulated in clause 49 of the Listing Agreement of 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 Agreement.

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
Date: June 16, 2006

Business Overview

ECONOMIC OVERVIEW

The Indian economy is on a high growth path marked by both broad-based and sustainable growth. Following the GDP growth rate of 7.5% achieved in fiscal 2005, the Central Statistical Organisation (CSO) has reported overall GDP growth for fiscal 2006 at 8.4%, highlighting the strong and sustained growth momentum. The highlight of the economy's performance in fiscal 2006 was the continued growth of the industrial sector coupled with a double-digit growth in the services sector. The Index of Industrial Production (IIP) recorded an annual average growth rate of 8.0% in fiscal 2006 following the growth of 8.3% in fiscal 2005. This growth was driven mainly by continued growth in the manufacturing sector which grew by 9.0% in fiscal 2006 following a 9.1% growth in the previous year. This was partly offset by a decline in the growth rate of the mining sector from 4.4% to 0.7%. The electricity sector grew by 5.2% in fiscal 2006, maintaining the same growth rate as the previous year. The momentum of growth in the services sector (including construction) continued with a 10.3% growth in fiscal 2006. Agriculture and allied activities grew by 3.9% during fiscal 2006 reflecting a revival in the sector which was affected by below normal monsoons during fiscal 2005.

The growth trends were accompanied by overall macro-economic stability, despite a sharp increase in global oil prices, concerns over global imbalances, rising interest rates globally and in India and rapid growth in the demand for credit. The annual average rate of inflation as measured by the Wholesale Price Index was 4.5% for fiscal 2006 as compared to 6.4% for fiscal 2005, with continuing fiscal and monetary policy interventions aimed at controlling price levels. The year-on-year rate of inflation peaked at 6.0% for the week ended April 23, 2005 before declining to 4.0% for the week ended March 25, 2006. In view of volatile oil prices and concerns over global developments, Reserve Bank of India (RBI) increased the reverse repo rate from 5.00% to 5.25% in October 2005 and then to 5.50% in January. RBI has further increased the reverse repo rate from 5.50% to 5.75% in June 2006. Liquidity conditions were impacted during the last quarter of fiscal 2006 due to the redemption of India Millennium Deposits of about US$ 7.1 billion in December 2005, as well as high credit growth. Liquidity conditions have eased subsequently. The investment pipeline and demand for credit continues to be robust, and global developments, external inflows and the fiscal position will be key factors impacting liquidity and interest rates during the current year.

India's exports stood at US$ 100.6 billion during fiscal 2006, a growth of 24.7% over the previous year. During the first nine months of fiscal 2006 primary exports recorded a growth of 31.7% and exports of manufactured goods recorded a growth of 21.2%. According to RBI, invisibles receipts reached US$ 62.8 billion during the first nine months of fiscal 2006, a growth of 28.1% over the corresponding period in the previous year. NASSCOM has reported a growth of 33.0% in Indian software and IT services exports, to US$ 23.6 billion in fiscal 2006. Increasing oil prices and growing import demand from a resurgent manufacturing sector have led to a deficit in the current account (US$ 13.5 billion during first nine months of fiscal 2006). International crude oil prices increased from US$ 55.40 per barrel at March 31, 2005 to a peak of US$ 74.61 per barrel at May 2, 2006 before declining to US$ 69.50 per barrel at June 16, 2006. Net Foreign Direct Investment (FDI) into India was US$ 4.7 billion during the first nine months of fiscal 2006 while net portfolio investment was US$ 8.2 billion. Foreign exchange reserves continued to grow, reaching US$151.6 billion on March 31, 2006.

The resilience displayed by the economy in fiscal 2006 is evidence of the broad-based and sustainable nature of India's growth momentum. Recognising the developments in the economy, RBI has appointed a committee to set out a roadmap towards full capital account convertibility. With the resurgence of the manufacturing sector, robust growth in the services sector and with an expected recovery in agricultural production, the growth prospects for fiscal 2007 appear favourable. Investment in infrastructure and holistic development of the rural economy continue to be the key imperatives to realise India's full potential in the long run.

FINANCIAL SECTOR OVERVIEW

The financial sector mirrored the developments in the Indian economy. Credit growth strengthened with an increase in industrial activity. Non-food credit increased by 30.8% in fiscal 2006 compared to 28.8% in fiscal 2005. Based on data published by RBI, during April 2005-January 2006, retail credit accounted for 26.7% of non-food credit growth, industry for 25.9%, agriculture and allied activities for 10.9%, trade for 5.4%, real estate for 4.4% and other sectors for the balance 22.0%. The credit-deposit ratio increased from about 62.0% in April 2005 to over 70.0% in March 2006. The incremental credit-deposit ratio was about 102.0% for fiscal 2006 compared to about 108.0% for fiscal 2005. Deposits of the banking system grew by Rs. 3,176.68 billion, or 17.6%, in fiscal 2006 compared to 13.8% in fiscal 2005. The average yield on 10-year Government securities increased from 6.2% in fiscal 2005 to 7.1% in fiscal 2006. In response to the increase in the cash reserve ratio and the reverse repo rate and the liquidity conditions, banks have increased their lending and deposit rates.

Growth in both the life and non-life insurance markets was significant. First year retail premium underwritten in the life insurance sector recorded a growth of 34.1% (on weighted received premium basis) to reach Rs. 209.89 billion in fiscal 2006 with the private sector's retail market share (on weighted received premium basis) increasing from 25.4% in fiscal 2005 to 34.2% in fiscal 2006. Gross premium in the non-life insurance sector (excluding Export Credit Guarantee Corporation of India Limited) grew by 16.2% to Rs. 203.79 billion in fiscal 2006 with the private sector's market share increasing from 20.3% in fiscal 2005 to 26.6% in fiscal 2006. Total assets under management of mutual funds grew by 55.0% from Rs. 1,495.54 billion at March 31, 2005 to Rs. 2,318.62 billion at March 31, 2006.

The banking sector witnessed several important regulatory developments. With a view to provide banks additional options for raising capital funds to meet both the increasing business requirements as well as the Basel II requirements, RBI issued a circular on the enhancement of banks' capital raising options for capital adequacy purposes in January 2006. The guidelines permit banks to raise capital through innovative perpetual debt instruments eligible for inclusion in Tier-1 capital and debt capital instruments eligible for inclusion in Tier-2 capital. RBI issued its final guidelines on securitisation of standard assets in February 2006. The guidelines cover the concept of true sale, provision of credit enhancement and liquidity facilities and capital treatment and accounting. RBI also increased the general provisioning requirement on standard advances, except direct advances to agriculture and SME sectors, from 0.25% to 0.40% in October 2005 and further to 1.00% on certain categories of advances in April 2006. The amendment to the Reserve Bank of India Act has given RBI the flexibility to determine the cash reserve ratio without any cap or floor, and also incorporates provisions for strengthening the derivatives market.

The Indian financial sector is rapidly moving towards international benchmarks, with increasing efficiency, transparency and dynamism. Given the robust 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 sustained economic growth.

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 five principal groups – Retail Banking, Corporate Banking, International Banking, Rural and Government Banking and Corporate Centre.

The Retail Banking Group is responsible for our products and services for retail customers and small enterprises including various credit products, liability products, distribution of third party investment and insurance products and transaction banking services.

The Corporate Banking Group is responsible for our products and services for large and medium- sized corporate clients, including credit and treasury products, project finance, structured finance and transaction banking services.

The Rural and Government Banking Group is responsible for envisioning and implementing our rural banking strategy, including agricultural banking and micro-finance. It is also responsible for our government banking initiatives.

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

The Corporate Centre comprises all shared services and corporate functions, including transaction processing and operations, finance and balance sheet management, secretarial, investor relations, risk management, legal, human resources and corporate branding and communications.

In addition to the above, the Global Principal Investments & Trading Group is responsible for taking proprietary positions in the Indian and international markets. The Global Markets Group is responsible for the global client-centric treasury operations. The Structural Rate Risk Management Group is responsible for taking interest rate views and determining interest rate risk positions for the Bank as a whole.

The Bank also has 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 2006, the 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 and rural operations.

Retail Banking

While we were among the first banks to identify the growth potential of retail credit in India, over the last few 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 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. In fiscal 2006, 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 2006 were approximately Rs. 626.00 billion, compared to approximately Rs. 433.00 billion in fiscal 2005. Our total retail portfolio increased from Rs. 561.33 billion at March 31, 2005 to Rs. 921.98 billion at March 31, 2006, constituting 63% of our total loans. We continued our focus on retail deposits to create a stable funding base. At March 31, 2006 we had more than 17 million retail customer accounts.

During fiscal 2006, we expanded our branch network. At March 31, 2006, we had 614 branches and extension counters compared to 562 branches and extension counters at March 31, 2005. We continued to expand our electronic channels, namely Internet banking, mobile banking, call centres, point of sale terminals and ATMs, and migrate customer transaction volumes to these channels. During fiscal 2006, over 70% of customer induced transactions took place through these electronic channels. We increased our ATM network to over 2,200 ATMs. Our call centres have a total seating capacity of 4,397 sales and service workstations across the country. 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.

Cross-selling new products and also the products of our life and general insurance subsidiaries to our existing customers is a key focus area for the Bank. Cross-sell allows us to deepen our relationship with our existing customers and helps us reduce origination costs as well as earn fee income. Our branches and other online channels are increasingly becoming important points of sale for our insurance subsidiaries. In fiscal 2006, about 21% of ICICI Prudential's new business was generated through ICICI Bank. We will continue to focus on cross-sell as a means to improve profitability and offer a complete suite of products to our customers.

Customer service is a key focus area for the Bank and we have adopted a multi-pronged approach to continuously monitor and enhance customer service levels. The Customer Service Council comprising wholetime directors and senior management meets regularly to review our customer service initiatives. We have implemented a structured customer feedback process where feedback is received from customers through e-mail, sms and phone. We conduct regular training programmes for employees to improve customer handling and interaction and have incorporated customer service metrics in performance evaluation. Our service quality team is also responsible for tracking resolution and turn-around times for service requests, identifying root causes to be addressed through process improvements, rewarding achievements in customer service 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 2006, we more than doubled our customer base, expanded our reach to 110 locations covering 480 branches of the Bank 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. We strengthened our mindshare in the small and medium enterprises sector through a weekly column in a leading financial daily newspaper focused on the SME sector and through a magazine "Emerging Enterprises" for our SME clients jointly with another leading financial daily newspaper which features relevant and contemporary issues relating to SMEs. During the year, we also participated in the launch of a rating agency for SMEs. We are seeking to grow our SME business model by creating a scalable business, developing a comprehensive product suite focused on SMEs, strengthening our risk management models and supporting the SME eco-system by fulfiling their requirements in a fast changing business environment.

Corporate Banking

Our corporate banking strategy is based on providing comprehensive and customized 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.

Our corporate banking group has a focused relationship with a large proportion of the top 500 large corporates. Fiscal 2006 saw continuing demand for credit from the corporate sector, with growth and additional investment demand in almost all sectors. We were able to leverage our international presence and deep corporate relationships to work closely on important overseas acquisitions made by Indian companies and some of the largest infrastructure projects in India. The above strategies enabled us to achieve robust growth in our fee income in fiscal 2006.

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 any corporate client. We have implemented quality processes across our corporate banking operations and reduced turnaround times.

The corporate markets group was reorganized into the Global Markets Group, which integrated the client-centric treasury operations of the Bank in India and overseas. This group 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 derivatives transaction volumes in fiscal 2006.

We have developed new relationships with medium-sized companies who we believe have the potential to become large corporations of tomorrow. We believe that medium-sized corporates will play an important role in the economy and have created a dedicated group for tapping opportunities with mid-cap companies. We have also restructured our delivery team for transaction banking products by creating dedicated sales teams for trade services and transaction banking products. This is expected to increase our market share from transaction banking products translating into a recurring fee income for the Bank.

The resurgence of the Indian economy, the need for infrastructure development and the international expansion of Indian companies all provide exciting opportunities for our corporate banking business. ICICI Bank believes that it is well-placed to capitalise on these opportunities by combining its domestic and international balance sheets, and credit and structured financing expertise.

Project Finance

The Indian economy is witnessing a resurgence in investment activity with companies undertaking both brownfield and greenfield expansions across sectors like infrastructure, oil & gas and manufacturing. We are uniquely positioned to meet the funding requirements of companies by leveraging our domestic and overseas presence to offer innovative financing solutions. The key to our project finance proposition is our constant endeavour to add value to the projects through financial structuring to ensure bankability of projects. These services are backed by strong due diligence and structuring skills and extensive relationships with various international sponsors and consultants. Equal emphasis is laid on ensuring marketable debt structuring. In fiscal 2006, we were the lead arrangers for several major project finance transactions in the country.

The proposed modernisation, upgradation and expansion of metro and non-metro airports are expected to provide significant business opportunities in the future. We had assisted the successful bidder for the modernisation and upgradation of the Delhi international airport. The road sector has been witnessing increased activity in the form of the various phases of the National Highway Development Project. The thrust in the port sector is on privatisation and expansion of berths in major ports besides projects for connecting major ports with the nearest highways and railway stations. In fiscal 2006, we participated in the financing of the international container terminal project at Cochin.

The telecom sector is expected to see continued growth and consequently large investments in networks by telecom service providers. The ultra mega power projects announced by the central Government, besides the increasing interest in hydroelectric generation capacity in the private sector are expected to continue providing attractive funding opportunities in the power sector. In fiscal 2006, we were the sole arranger for the largest private sector hydroelectric power project.

The oil and gas sector is witnessing activity across the entire value chain, from exploration and production through increased private sector participation under the New Exploration Licensing Policy to setting up of large-scale refineries by both public sector and private sector players. The manufacturing sector is also seeing fresh capacity additions across sectors such as steel, aluminium, zinc and copper. In fiscal 2006, we were the preferred partner for the capacity expansion of a steel major.

Rural banking and agri-business

The rural economy represents a large latent demand for financial services including credit products, savings products, investment products and risk mitigation products like insurance. However, the delivery of financial services in rural areas presents a set of unique challenges. We have formulated a comprehensive strategy for rural, micro-banking and agri-business, encompassing a range of products and channels, with the twin objectives of meeting the needs of the rural economy while building a sustainable business model.

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 the business opportunities in the integration of the value chain, including the creation of rural infrastructure like cold storage facilities and warehouses. We offer a comprehensive suite of products for all customer segments operating in the rural areas – corporates, small and medium enterprises, farmers and traders. Our six primary credit products for the rural retail segment are – micro-finance loans, farmer financing, working capital financing for agri-enterprises, farm equipment financing, commodity based financing and jewel loans. Other financial services like savings, investment and insurance customised for the rural segment complete our offering. During fiscal 2006, we introduced the "no-frill account", a basic savings account with a very low quarterly average balance requirement. During fiscal 2006, RBI also introduced guidelines for extension of banking services through the use of banking facilitators and correspondents. These measures would enable us to extend our banking services to rural customers.

Our channel strategy envisages multiple channels catering to all segments of the rural population. We have developed a "no white spaces" strategy to comprehensively cover an identified rural geography. This involves setting up a ICICI Bank touch point within 10 kilometres from any customer, using a combination of branch and non-branch channels, aimed at fulfilling the financial needs of all rural customer segments - farmers, agri traders, processors and non-agri customers. It involves establishing a hybrid low-cost distribution network by partnering with corporates, micro-finance institutions, franchisees and rural marketing agents, setting up branches at strategic locations and leveraging the distribution network of other banks. The Bank is using technology to tie-in all the channels and products to reduce costs. The total number of partner micro finance institutions/non-government organisations was scaled to over 100 at March 31, 2006 from 45 at March 31, 2005. The number of rural internet kiosks more than doubled to about 4,300 at March 31, 2006 from about 2,000 at March 31, 2005.

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, Bahrain, Hong Kong, Sri Lanka and Dubai International Finance Centre and representative offices in the United States, United Arab Emirates, China, South Africa and Bangladesh. Our UK subsidiary has established a branch in Belgium.

The Bank has established a strong franchise in the non-resident Indian (NRI) business and further consolidated its position in fiscal 2006. 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 alliances with banks in various countries that 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 as a well recognised financial services brand 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. The branch network of ICICI Bank Canada was expanded with the opening of branches in Toronto and Vancouver.

The branch network of ICICI Bank UK was also expanded with the opening of branches in Leicester, Manchester and London in UK and Antwerp in Belgium. The direct banking strategy rolled out in Canada was also replicated successfully in UK. The Bank continues to leverage India-based delivery skills by outsourcing several back office operations from the UK and Canada subsidiaries to central processing shops in India. The Russian subsidiary was established through the acquisition of a Russian bank with total assets of about USD 4.4 million.

To lay the foundations for the global payments business, Euro Banking Association approval for ICICI Bank UK to become STEP 1 member for Euro clearing has been obtained. The Bank, through its Hong Kong branch, is the first Indian bank to become a Direct Participant (DP) in the US dollar clearing in Hong Kong. The Real Time Gross Settlement (RTGS) in the US dollar provides a vital link for payment settlements in US dollars in Asia.

The Bank has also consolidated the global remittance initiative, targeting non-Indian communities, by leveraging its core capabilities of technology-based service delivery. A large number of remittance products were introduced to complement the existing suite of products. The business focus has been on rolling out successful products across multiple geographies and getting into high volume correspondent arrangements. The Bank is also leveraging its disbursement capability in India and looking at active customer acquisition within the country using card and account based products targeted at beneficiaries in India.

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 focussed on increasing market share in trade finance by leveraging and further strengthening correspondent banking relationships.

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.

RISK MANAGEMENT

Risk is an integral part of the banking business and we aim at delivering 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.

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 the Credit Risk Management Group, Market Risk Management Group, Retail Risk Management Group and Operational Risk Management Group. CAG is further organised into the Credit Policies, RBI Inspection & 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 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. 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. Industry knowledge is constantly updated through field visits and 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 and 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 on earnings and equity capital due to market risk.

Market risk policies include the Investment Policy and the Asset-Liability Management (ALM) Policy. The policies are approved by the Board of Directors. The Asset-Liability Management Committee (ALCO) of the Board of Directors stipulates liquidity and interest rate risk limits, monitors adherence to limits, articulates the organisation's interest rate view and determines the strategy in light of the current and expected environment. These policies and processes are articulated in the ALM Policy. The Investment Policy addresses 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 limit our exposure to exchange rate risk by stipulating position limits.

The Treasury Middle Office Group monitors the asset-liability position under the supervision of the ALCO. It also monitors the treasury activities and adherence to regulatory / internal policy guidelines. The Treasury Middle Office Group is also responsible for processing treasury transactions, tracking the daily funds position and complying with all treasury-related management and regulatory reporting requirements.

Operational Risk

Operational risk is the risk of loss that 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. Our approach to operational risk management is designed 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. Effective operational risk management system would ensure that Bank has sufficient information to make appropriate decisions about additional controls, adjustments to controls, or other risk responses. Our operational risk management policy aims at minimising losses and customer dissatisfaction due to failure in processes, focusing on flaws in products and their design that can expose the Bank to losses due to fraud, analysing the impact of failures in technology/systems, developing mitigants to minimise the impact and developing plans to meet external shocks that can adversely impact continuity in the Bank's operations.

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.

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.

Fiscal 2006 saw an upward trend 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 ratio 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. While the adverse fixed income market conditions led to lower gains from the fixed income proprietary trading operations, 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 through trading operations.

In line with the international expansion of the bank, treasury functions have been set up in Hong Kong, Sri Lanka, Bahrain, Singapore and the Offshore Banking Unit in Mumbai to support the operations of these branches.

HUMAN RESOURCES

ICICI Bank places great value on developing and nurturing its human capital as a critical resource in its efforts for value creation. During fiscal 2006, our human resources management strategy was focused on three key areas: talent acquisition, learning and development and employee engagement.

At March 31, 2006, ICICI Bank had 25,384 employees. In the sphere of talent acquisition, 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 enhanced our recruitment capability by establishing relationships with a larger number of educational institutions across diverse disciplines. We recruited over 2,450 employees through the campus recruitment process. A significant step forward in creating a wider pool for talent acquisition was to partner with leading business schools in introducing banking industry specific courses to develop skills in areas like private banking, wealth management, credit appraisal and retail banking. We also focused our efforts towards building ICICI Bank as a preferred employer brand in our international locations and expanding our international employee base.

Induction programmes were a critical element in introducing the culture and ethos of ICICI Bank to new employees. More than 13,000 new employees went through structured induction programmes covering product and process inputs, enhancing skills through simulated work situations in order to equip them with "first day – first hour" productivity. In addition to the training for new recruits, all employees periodically undergo training programmes for developing their functional and behavioural skills.

In fiscal 2006, we articulated our core DNA – the key qualities and behaviours that we identify as essential in our organisation. We held the "Spirit of Leadership" celebrations to honour and felicitate employees who exemplify these core behaviours. This underlined the importance of the DNA in building the organisation's cultural fabric and highlighted role models for the rest of the organisation to emulate. Special DNA communication meets were held to involve every single employee in this culture-building initiative through discussion forums.

The Bank has placed strong emphasis on leadership development, to identify and develop a pool of talent that can take up leadership positions. The Bank has put in place a rigorous, multi-layer talent identification process to systematically identify talented managers to be groomed for leadership. The leadership development process involves personal investment of time by the wholetime Directors and senior management in mentoring high potential managers. The American Society for Training & Development, an organisation that benchmarks HR practices internationally, has acknowledged ICICI Bank's learning culture and nurturing practices to be the best among Asian companies and among the top five in the world.

The Bank conducted its annual employee survey to facilitate continuous engagement with employees, enabling them to voice their views and opinions on various aspects of the organisation and help arrive at meaningful, actionable conclusions for organisational strategy. The Bank has been able to create thought leaders at various levels across the organisation to participate in policy making, employee communication and perspective building.

INFORMATION TECHNOLOGY

ICICI Bank is a pioneer in adopting and implementing the latest technology in banking. We have deployed state-of-the-art technology across various channels to provide convenient access to services to our customers. We have integrated processes from customer touch point to back-office operations in a seamless manner with the aid of technology. We continue to be in the forefront of using technology to offer enhanced products and services.

We have expanded our reach significantly by leveraging technology across various channels like internet banking, ATMs, point of sales, call centre, interactive voice response and branch offices. In fiscal 2006, we re-designed our internet banking site and received very encouraging feedback from our customers. We expanded our ATM network to over 2,200 ATMs and our ATMs support transactions for our customers and also customers networked with National Financial Switch (NFS), Mastercard International and Visa International. We deployed new emerging call centre technologies like Voice Over Internet Protocol and set up our third call centre facility at Thane near Mumbai. We significantly enhanced our interactive voice response system and mobile banking systems to offer more value added service.

During fiscal 2006, we migrated to a new credit card system with a scalable technology architecture that will enable us to handle higher volumes and provide new transaction capabilities to our customers. Our payment gateway was also revamped to provide us additional capabilities for servicing both customers and merchants.

Technology is a critical element of our strategy for international expansion. During fiscal 2006, our core banking application was implemented with an enhanced graphical user interface in Hong Kong and Sri Lanka. A new US dollar clearing system was also successfully deployed in Hong Kong. Further, technology operations of our overseas operations have been outsourced to specialised teams in India. This has helped us in reducing additional investments by leveraging our existing infrastructure and has helped us gain economies of scale and reduce costs.

Our data centre at Mumbai was strengthened with additional servers so as to further improve the availability of applications. In an effort to maintain robust and reliable disaster recovery (DR) and business continuity capabilities, we have scaled the infrastructure at our DR sites and carried out DR drills to check readiness. We were successful in keeping our systems and ATMs available during the floods in Mumbai. We were among the first players to implement newer data telecommunication and migrate from traditional lease line and dial up connections to fully redundant Multi-Protocol Label Switching (MPLS) backbone. We have implemented encryption solution and software tools on all personal computers to provide data encryption. We continue to focus on security of customer data.

We continue to experiment with a number of emerging technologies and are working closely with technology partners to provide innovative solutions to our customers. We believe that our commitment to technology will help us to maintain our innovative edge. Going forward, we are excited about using technology to realize the full potential of rural India.

KEY GROUP COMPANIES

ICICI Prudential Life Insurance Company

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 30% in the private sector in fiscal 2006 (on weighted received premium basis). Life insurance companies worldwide make losses in the initial years, in view of business set-up and customer acquisition costs in the initial years as well as reserving for actuarial liability. While the growing operations of ICICI Prudential Life had a negative impact of Rs. 1.39 billion on the Bank's consolidated profit after tax in fiscal 2006 on account of the above reasons, the company's unaudited New Business Achieved Profit (NBAP) for fiscal 2006 was Rs. 5.28 billion compared to Rs. 3.12 billion in fiscal 2005. NBAP is a metric for the economic value of the new business written during a defined period. It is measured as the present value of all the future profits for the shareholders, on account of the new business based on standard assumptions of mortality, expenses and other parameters. Actual experience could differ based on variance from these assumptions especially in respect of expense overruns in the initial years.

ICICI Lombard General Insurance Company

ICICI Lombard General Insurance Company (ICICI Lombard) enhanced its leadership position among private sector general insurance companies with a market share of 29% in the private sector in fiscal 2006. ICICI Lombard achieved a profit after tax of Rs. 0.50 billion in fiscal 2006 compared to Rs. 0.48 billion in fiscal 2005 despite claims from floods in major cities and investments in the retail franchise. About 58% of its gross written premiums comprised of non-corporate business.

Prudential ICICI Asset Management Company

Prudential ICICI Asset Management Company (Prudential ICICI AMC) was the largest mutual fund in India at May 31, 2006 with assets under management of over Rs. 320.00 billion. Prudential ICICI AMC achieved a profit after tax of Rs. 0.31 billion in fiscal 2006 compared to Rs. 0.17 billion in fiscal 2005. Prudential ICICI AMC was the named "Mutual Fund of the Year 2005" by CNBCTV18-CRISIL.

ICICI Securities Limited

ICICI Securities continued to enhance its position in the investment banking and equity broking businesses while capitalising on opportunities in the fixed income market. ICICI Securities achieved a profit after tax of Rs. 1.57 billion in fiscal 2006 compared to Rs. 0.64 billion in fiscal 2005.

ICICI Venture Funds Management Company Limited

ICICI Venture Funds Management Company Limited (ICICI Venture) raised two funds and strengthened its leadership position in private equity in India, with funds under management of over Rs. 63.00 billion. ICICI Venture achieved a profit after tax of Rs. 0.50 billion in fiscal 2006 compared to Rs. 0.32 billion in fiscal 2005.

CREDIT RATINGS

ICICI Bank's credit ratings by various credit rating agencies at March 31, 2006 are given below:

Agency	Rating
Moody's Investor Service (Moody's)	Baa2
Standard & Poor's (S&P)	BB+
Credit Analysis & Research Limited (CARE)	CARE AAA
Investment Information and Credit Rating Agency (ICRA)	AAA
CRISIL Limited	AAA

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 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 enhance the capacities of India's poor communities to participate in social, economic and political processes. We believe that improving child health in the early years, ensuring quality of elementary education and enhancing access to micro financial services are critical for facilitating effective participation in the Indian context.

Early Child Health

Our initiatives in this sector aim to strengthen the ability of households, communities as well as health systems to improve the health and nutritional status of young children, and women throughout their lifecycles. In fiscal 2006, we partnered with the State Health Resource Centre, an NGO in Chhattisgarh to explore interventions for building sustainability into large scale community health worker programmes, build state and civil society partnerships within the framework of the recently launched National Rural Health Mission and improve the quality of public health programmes in India through capacity building initiatives such as the Public Health Resource Network. We also supported the Foundation for Research in Community Health, Pune to create a sectoral resource and evidence base on community health worker training.

Elementary Education

Improving the quality of elementary schooling (3 -14 years) received by poor children in India is the focus of our work in this area. In partnership with pioneering NGOs, we work to strengthen institutions and systems involved in aspects of pedagogy, curriculum development, school organisation and evaluation. During fiscal 2006, we built partnerships for research in education and supported an international seminar on science education and learning. Collaborating with resource organisations such as Digantar Shiksha Evum Khelkud Samiti, Jaipur and Vidya Bhawan Society, Udaipur we developed a comprehensive programme for improving the quality of education in Baran District, Rajasthan. We also supported a partnership between Edcuation Resource Organisation, Ahmedabad and the Ahmedabad Municipal Corporation for strengthening teacher training systems.

Micro Financial Services

Our initiatives in the area of micro finance seek to ensure that all individuals, especially the poorest, have convenient access to a comprehensive range of financial services. During fiscal 2006, we supported the Centre for Micro Finance at the Institute for Financial Management and Research, Chennai to provide much needed training services for micro finance institutions (MFIs) in partnership with Micro Save. We also worked to attract venture capital into the micro finance sector, conceptualized the setting up of an independent company to provide information systems services to MFIs as well as supported pilots to explore viable technology-based models for reaching financial services to the urban poor. Further, we explored the development of enabling sectoral infrastructure such as a credit bureau and a unique identifier.

PUBLIC RECOGNITION

During fiscal 2006, we received several prestigious awards in recognition of our overall business strategies, specific products and technology focus.

- “Bank of the Year Award for India” by The Banker
- “Best Bank in India” by Euromoney
- “Best Integrated Consumer Bank Site in Asia” by Global Finance
- “Best Consumer Internet Bank in India” by Global Finance
- “Best Corporate / Institutional Internet Bank” by Global Finance
- “Excellence in Financial Reporting” by Institute of Chartered Accountant of India
- “Best Local Cash Management Bank for Domestic Cash Management Services” by Asiamoney
- “Best Local Cash Management Bank for Most Innovative Cash Management Solutions” by Asiamoney
- “Best Cash Management - Country Award in India” by The Asset
- “Best Secondary Offering” - Finance Asia

Management's Discussion & Analysis

FINANCIALS AS PER INDIAN GAAP

Summary

Operating profit (profit before provisions and tax) was Rs. 46.91 billion in fiscal 2006 as compared to Rs. 29.56 billion in fiscal 2005, reflecting an increase of 58.7% primarily due to a 47.5% increase in net interest income to Rs. 41.87 billion, 55.3% increase in fee income to Rs. 32.59 billion and 30.5% increase in treasury income to Rs. 9.28 billion, offset, in part, by a 40.9% increase in operating expenses (excluding depreciation on leased assets and commission paid to direct marketing agents) to Rs. 35.47 billion.

Provisions and contingencies (excluding provision for tax) increased to Rs. 15.94 billion in fiscal 2006 from Rs. 4.29 billion in fiscal 2005 primarily due to higher amortisation of premium on government securities in fiscal 2006 (Rs. 8.02 billion, compared to Rs. 2.76 billion in fiscal 2005) and higher level of write-backs in fiscal 2005. While profit before tax increased 22.6% to Rs. 30.97 billion in fiscal 2006 from Rs. 25.27 billion in fiscal 2005, the reduction in effective tax rate to 18.0% in fiscal 2006 from 20.7% in fiscal 2005 resulted in a 26.7% increase in profit after tax to Rs. 25.40 billion in fiscal 2006 from Rs. 20.05 billion in fiscal 2005.

Net interest income increased by 47.5% to Rs. 41.87 billion in fiscal 2006 from Rs. 28.39 billon in fiscal 2005 despite a reduction in income from securitisation of loans, reflecting an increase of 48.0% in average interest-earning assets.

Fee income increased by 55.3% to Rs. 32.59 billion in fiscal 2006 from Rs. 20.98 billion in fiscal 2005 primarily due to growth in credit card related fees and third-party product distribution fees, increase in income from remittances and other fees from international products and services and growth in fees from corporate customers.

Treasury income increased by 30.5% to Rs. 9.28 billion in fiscal 2006 from Rs. 7.11 billion in fiscal 2005 primarily due to increase in the profit on sale of equity investments.

Operating expenses (excluding depreciation on leased assets and commission paid to direct marketing agents) increased by 40.9% to Rs. 35.47 billion in fiscal 2006 from Rs. 25.17 billion in fiscal 2005 primarily due to a 46.8% increase in salary expenses.

During fiscal 2006, ICICI Bank raised equity capital of about Rs. 80.01 billion to leverage business opportunities and maintain appropriate regulatory capitalization levels. The expenses of the issue amounting to Rs 0.87 billion have been charged to the share premium account. As a result of the increase in capital during the year, return on average equity declined to 16.4% in fiscal 2006 from 17.9% in fiscal 2005. The earnings per share on a weighted average basis increased to Rs. 32.49 per share for fiscal 2006 from Rs. 27.55 per share for fiscal 2005.

Total assets increased 49.9% to Rs. 2,513.89 billion at March 31, 2006 from Rs. 1,676.59 billion at March 31, 2005 with advances increasing 59.9% to Rs. 1,461.63 billion and investments increasing 41.7% to Rs. 715.47 billion. Retail advances increased 64.2% to Rs. 921.98 billion at March 31, 2006, constituting 63.1% of net advances compared to 61.4% at March 31, 2005. Advances of international branches increased 101.4% to Rs. 125.24 billion at March 31, 2006 from Rs. 62.18 billion at March 31, 2005. Total deposits increased 65.4% to Rs. 1,650.83 billion at March 31, 2006, constituting 77.2% of the total funding (comprising deposits, borrowings and subordinated debt) compared to 70.5% at March 31, 2005. Deposits of international branches increased by 149.1% to Rs. 85.70 billion at March 31, 2006 from Rs. 34.40 billion at March 31, 2005.

Operating results data

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

Rs. in billion, except percentages

	Fiscal 2005	Fiscal 2006	% change
Interest income	94.10	**137.84**	46.5
Interest expense	65.71	**95.97**	46.1
Net interest income	28.39	**41.87**	47.5
Non-interest income	27.05	**40.55**	49.9
- Fee income[1]	20.98	**32.59**	55.3
- Lease income	4.01	**3.61**	(10.0)
- Others	2.06	**4.35**	111.2
Core operating income	**55.44**	**82.42**	**48.7**
Operating expenses	25.17	**35.47**	40.9
Direct marketing agency (DMA) expense[2]	4.85	**6.55**	35.1
Lease depreciation, net of lease equalization	2.97	**2.77**	(6.7)
Core operating profit	**22.45**	**37.63**	**67.6**
Treasury income[3]	7.11	**9.28**	30.5
Operating profit	**29.56**	**46.91**	**58.7**
Provisions, net of write-backs	4.29	**15.94**	271.6
Profit before tax	**25.27**	**30.97**	**22.6**
Tax, net of deferred tax[4]	5.22	**5.57**	6.7
Profit after tax	**20.05**	**25.40**	**26.7**

(1) Includes merchant foreign exchange income.
(2) Other than on car loans, which is reduced from interest income.
(3) Excludes merchant foreign exchange income.
(4) Including fringe benefit tax.
(5) 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 2005	Fiscal 2006
Return on average equity (%)[1]	17.9	**16.4**[2]
Return on average assets (%)[3]	1.4	**1.3**
Earnings per share (Rs.)	27.6	**32.5**
Book value (Rs.)	168.6	**248.6**
Fee to income (%)	35.2	**36.6**
Cost to income (%)[4]	42.2	**39.9**

(1) Return on equity is based on average of balances outstanding at the end of each quarter.
(2) Additional capital of Rs. 80.01 billion raised in fiscal 2006.
(3) Return on assets is based on average daily assets.
(4) Cost represents operating expense excluding DMA expense and lease depreciation. Income represents net interest income, treasury 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 2005	Fiscal 2006	% change
Average interest-earning assets	1,153.24	**1,706.81**	48.0
Average interest-bearing liabilities	1,138.25	**1,658.73**	45.7
Net interest margin	2.4%	**2.4%**	–
Net interest margin, excluding gain from sell-down/ securitisation of loans	2.0%	**2.2%**	–
Average yield	8.1%	**8.0%**	–
Average cost of funds	5.8%	**5.8%**	–
Interest spread	2.3%	**2.2%**	–
Interest spread, excluding gain from sell-down/ securitisation of loans	1.9%	**2.0%**	–

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

Net interest income increased 47.5% to Rs. 41.87 billion in fiscal 2006 from Rs. 28.39 billion in fiscal 2005, primarily due to an increase of Rs. 553.57 billion or 48.0% in the average volume of interest-earning assets. Gain on sell-down of loans (including securitisation of loans and direct assignment of loans) included in interest income decreased by 12.3% to Rs. 4.57 billion in fiscal 2006 from Rs. 5.21 billion in fiscal 2005. During the year, Reserve Bank of India (RBI) issued guidelines on accounting for securitisation of standard assets. In accordance with these guidelines, with effect from February 1, 2006, the Bank accounts for any loss arising on securitisation immediately at the time of sale and the profit/ premium arising on account of securitisation is amortised over the life of the assets. Prior to February 1, 2006, profit arising on account of securitisation has been recorded at the time of sale.

The net interest margin in fiscal 2006 at 2.4% was at the same level as in fiscal 2005. However, excluding gain from sell-down, net interest margin for fiscal 2006 increased to 2.2% in fiscal 2006 from 2.0% in fiscal 2005.

ICICI Bank's net interest margin 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 (5.0% in fiscal 2006) is comparable to the cost of deposits of other banks in India, ICICI Bank's total cost of funding (5.8% in fiscal 2006) 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. ICICI Bank also reduces direct marketing agency expenses incurred for origination of automobile loans from the interest income.

The net interest income for fiscal 2006 includes higher subvention income accounted for on upfront basis consequent to a change in the accounting policy. The Bank has aligned its accounting policy for subvention income with its accounting for direct marketing agency/associate expenses. Accordingly subvention income has been accounted for in the period in which it is received instead of over the term of the loan. The impact of the change is not material to the operations of the Bank.

The average volume of interest-earning assets increased by Rs. 553.57 billion during fiscal 2006 primarily due to the increase in average advances by Rs. 400.33 billion, and increase in average investments and other interest-earning assets by Rs.153.24 billion. The increase in the average advances was mainly due to increased disbursements of retail finance loans, offset, in part, by securitisation of loans and repayments of existing loans. Retail advances increased by 64.2% to Rs. 921.98 billion at March 31, 2006 from Rs. 561.34 billion at March 31, 2005.

Total interest income increased 46.5% to Rs. 137.84 billion in fiscal 2006 from Rs. 94.10 billion in fiscal 2005 primarily due to an increase of 48.0% in the average interest-earning assets to Rs. 1,706.81 billion, offset, in part, by a decline in yield on interest-earning assets to 8.0% in fiscal 2006 from 8.1% in fiscal 2005. The decline in yield was primarily due to lower level of sell-down gains in fiscal 2006 compared to fiscal 2005, offset by an increase in the yield on investments. While the yield on average advances declined by 0.8% to 8.6% in fiscal 2006, the yield on average investments increased by 1.2% to 7.6% in fiscal 2006.

Total interest expense increased 46.1% to Rs. 95.97 billion in fiscal 2006 from Rs. 65.71 billion in fiscal 2005, due to a 45.7% increase in average interest-bearing liabilities to Rs. 1,658.73 billion. Cost of funds for fiscal year 2006 remained at 5.8%. Cost of deposits increased to 5.0% in fiscal 2006 from 4.5% in fiscal 2005 consequent to the general increase in interest rates in India, in particular the increase in short-term interest rates in the second half of fiscal 2006. Deposits increased 65.4% to 1,650.83 billion at March 31, 2006, constituting 77.2% of the Bank's total funding (comprising deposits, borrowings and subordinated debt) compared to 70.5% at March 31, 2005.

Fee income

Fee income increased by 55.3% to Rs. 32.59 billion in fiscal 2006 from Rs. 20.98 billion in fiscal 2005 primarily due to growth in credit card fees and third-party product distribution fees, increase in income from remittances and other fees from international banking business and growth in corporate banking fees. During fiscal 2006, retail products and services contributed about 58% of total fee income, corporate products and services contributed about 30% and international products and services contributed the balance 12%. Fee income includes merchant foreign exchange income amounting to Rs. 2.55 billion in fiscal 2006 and Rs. 1.77 billion in fiscal 2005.

Treasury income

Total income from treasury-related activities increased 30.5% to Rs. 9.28 billion in fiscal 2006 from Rs. 7.11 billion in fiscal 2005 primarily due to increase in the profit on sale of equity investments. Capital gains on shares were Rs. 6.77 billion for fiscal 2006 compared to Rs. 4.61 billion for fiscal 2005, as ICICI Bank continued to capitalise on the opportunities created by the buoyant equity markets through divestment of certain of its non-core investments and through proprietary trading positions. Treasury income also includes income from derivatives reflecting primarily the transactions undertaken with customers by the Bank.

Lease & other income

Lease income decreased by 10.0% to Rs. 3.61 billion in fiscal 2006 from Rs. 4.01 billion in fiscal 2005 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. 11.74 billion at March 31, 2006 compared to Rs. 14.53 billion at March 31, 2005. Other income increased 111.2% to Rs. 4.35 billion for fiscal 2006 compared to Rs. 2.06 billion for fiscal 2005 primarily due to increase in dividend from subsidiaries and gains from buyback of shares by 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 2005	Fiscal 2006	% change
Employee expenses	7.37	**10.82**	46.8
Depreciation on fixed assets other than leased assets	2.93	**3.47**	18.4
Rent, taxes & lighting	1.85	**2.35**	27.0
Printing & stationery	0.88	**1.11**	26.1
Postage & courier	1.74	**2.16**	24.1
Repairs, telephone & maintenance	2.16	**2.58**	19.4
Insurance	0.60	**1.08**	80.0

Rs. in billion, except percentages

	Fiscal 2005	Fiscal 2006	% change
Advertisement	1.16	**1.86**	60.3
Others	6.48	**10.04**	54.9
Total non-interest expense (excluding lease depreciation and direct marketing agency expenses)	**25.17**	**35.47**	**40.9**
Depreciation (net of lease equalisation) on leased assets	2.97	**2.77**	(6.7)
Direct marketing agency expense(1)	4.85	**6.55**	35.1
Total non-interest expense	**32.99**	**44.79**	**35.8**

(1) Other than on automobile loans, which is reduced from interest income.

(2) 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 40.9% for fiscal 2006 to Rs. 35.47 billion from Rs. 25.17 billion for fiscal 2005 primarily due to 46.8% increase in employee expenses.

Employee expenses increased 46.8% to Rs. 10.82 billion in fiscal 2006 from Rs. 7.37 billion in fiscal 2005 primarily due to a 40.8% increase in the number of employees to 25,384 at March 31, 2006 from 18,029 at March 31, 2005. The increase in employees was commensurate with the growth in business.

Depreciation on fixed assets other than leased assets, increased by 18.4% to Rs. 3.47 billion from Rs. 2.93 billion primarily due to additions to premises of Rs. 1.45 billion and other fixed assets of Rs. 4.36 billion during fiscal 2006.

Other operating expenses increased primarily due to the increased volume of business, particularly in retail banking and includes maintenance of ATMs, credit card related expenses, call centre expenses and technology expenses. The number of savings accounts increased to about 8.9 million at March 31, 2006 from about 7.5 million at March 31, 2005. The number of credit cards issued increased to about 5.2 million at March 31, 2006 from about 3.3 million at March 31, 2005. The number of branches (excluding foreign branches and OBUs) and extension counters increased to 614 at March 31, 2006 from 562 at March 31, 2005. ATMs increased to 2,200 at March 31, 2006 from 1,910 at March 31, 2005.

Depreciation (net of lease equalisation) on leased assets decreased 6.7% to Rs. 2.77 billion in fiscal 2006 from Rs. 2.97 billion in fiscal 2005.

ICICI Bank uses marketing agents, called direct marketing agents or associates, for sourcing retail assets. These commissions are expensed upfront and not amortised over the life of the loan. Commissions paid to these direct marketing agents for retail assets are included in non-interest expense (other than commissions in respect of car loans). ICICI Bank incurred direct marketing agency expenses of Rs. 6.55 billion on the retail asset portfolio (other than automobile loans) in fiscal 2006 compared to Rs. 4.85 billion in fiscal 2005, with the increase being commensurate with growth in business volumes.

Provisions & tax

Provisions and contingencies (excluding provisions for tax) increased to Rs. 15.94 billion in fiscal 2006 from Rs. 4.29 billion in fiscal 2005 primarily due to the significantly higher level of amortisation of premium on government securities in fiscal 2006 (Rs. 8.02 billion, compared to Rs. 2.76 billion in fiscal 2005) primarily due to increase in the investments in government securities (one time transfer from available for sale to held to maturity category in fiscal 2005) and lower level of write-backs in fiscal 2006. With effect from the quarter ended December 31, 2005, RBI increased the requirement of general provisioning on standard loans (excluding loans to agriculture sector and small and medium enterprises) to 0.40% compared to 0.25% applicable till September 30, 2005. In accordance with these guidelines the Bank has made general provision of Rs. 3.39 billion in fiscal 2006. During fiscal 2006, the Bank reassessed its provision requirement on performing loans and non-performing loans on a portfolio basis and wrote back an amount of Rs. 1.69 billion from its provisions against non-performing loans which were in excess of the regulatory requirement.

Income tax expense (including wealth tax) increased 6.7% to Rs. 5.57 billion in fiscal 2006 from Rs. 5.22 billion in fiscal 2005 as effective income tax rate decreased to 18.0% in fiscal 2006 from 20.7% in fiscal 2005. The effective income tax rate continued to be lower than the statutory rates for fiscal 2006 primarily due to exempt interest and dividend income and the charging of certain income at rates other than the statutory rate, off-set in part, by the disallowance of certain expenses for tax purposes. Further, during fiscal 2006, the Bank created a deferred tax asset on carry forward capital losses based on its firm plans that sufficient future taxable capital gains will be available against which the losses can be set off.

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, 2005	March 31, 2006	% change
Assets:			
Cash, balances with banks & SLR[1]	474.12	**681.14**	43.7
– Cash & balances with RBI & banks	129.30	**170.40**	31.8
– Government securities[1]	344.82	**510.74**	48.1
Advances (net)	914.05	**1,461.63**	59.9
Debentures & bonds	28.54	**18.04**	(36.8)
Other investments	131.52	**186.69**	41.9
Fixed assets (including leased assets)	40.38	**39.81**	(1.4)
Other assets	87.98	**126.58**	43.9
Total assets	**1,676.59**	**2,513.89**	**49.9**
Liabilities:			
Equity capital and reserves	125.50	**222.06**	76.9
– Equity capital	7.37	**8.90**	20.8
– Reserves	118.13	**213.16**	80.4
Preference capital	3.50	**3.50**	–
Deposits	998.19	**1,650.83**	65.4
– Savings deposits	113.92	**209.37**	83.8
– Current deposits	128.37	**165.73**	29.1
– Term deposits	755.90	**1,275.73**	68.8
Borrowings	417.53	**486.66**	16.6
Of which : Subordinated debt [2]	*82.09*	***101.44***	*23.6*
– Erstwhile ICICI borrowings	193.48	**132.25**	(31.6)
– Other borrowings	224.05	**354.41**	58.2
Other liabilities	131.87	**150.84**	14.4
Total liabilities	**1,676.59**	**2,513.89**	**49.9**

(1) Represents Indian government securities considered towards SLR requirement.
(2) Included in 'other liabilities' in Schedule 5 of the balance sheet.
(3) All amounts have been rounded off to the nearest Rs. 10.0 million.

ICICI Bank's total assets increased 49.9% to Rs. 2,513.89 billion at March 31, 2006 from Rs. 1,676.59 billion at March 31, 2005. Net advances increased 59.9% to Rs. 1,461.63 billion at March 31, 2006 from Rs. 914.05 billion at March 31, 2005 primarily due to increase in retail advances in accordance with ICICI Bank's strategy of growth in its retail portfolio, offset, in part by a reduction in advances due to repayments and securitisation. Retail advances increased 64.2% to Rs. 921.98 billion at March 31, 2006 from Rs. 561.34 billion at March 31, 2005. Total investments at March 31, 2005 increased 41.7% to Rs. 715.47 billion from Rs. 504.87 billion at March 31, 2005. SLR investments at March 31, 2006 increased 48.1% to Rs. 510.74 billion from Rs. 344.82 billion at March 31, 2005, in line with the growth in the balance sheet. Other investments (including debentures & bonds) at March 31, 2006 increased 27.9% to Rs. 204.73 billion from Rs. 160.06 billion at March 31, 2005, reflecting increase in investments in insurance and international subsidiaries, pass-through certificates and credit-linked notes.

Total assets (gross) of overseas branches (including overseas banking unit at SEEPZ, Mumbai) increased 117.3% to Rs. 275.86 billion at March 31, 2006 from Rs. 126.96 billion at March 31, 2005.

The Bank's rural and agri-lending portfolio (including consumer finance in rural areas) increased to Rs. 162.79 billion at March 31, 2006.

The Bank's equity share capital and reserves at March 31, 2006 increased by 76.9% to Rs. 222.06 billion from Rs. 125.50 billion at March 31, 2005, as a result of the equity capital of Rs. 80.01 billion raised during the year and the retained profit for the year. Total deposits increased 65.4% to Rs. 1,650.83 billion at March 31, 2006 from Rs. 998.19 billion at March 31, 2005. ICICI Bank's savings account deposits increased 83.8% to Rs. 209.37 billion at March 31, 2006 from Rs. 113.92 billion at March 31, 2005, while current account deposits increased 29.1% to Rs. 165.73 billion at March 31, 2006 from Rs. 128.37 billion at March 31, 2005. Term deposits increased by 68.8% to Rs. 1,275.73 billion at March 31, 2006 from Rs. 755.90 billion at March 31, 2005. Of the term deposits, value-added deposits linked to savings accounts totalled about Rs. 100.62 billion at March 31, 2006.

Off Balance Sheet Items, Commitments and Contingencies

The following table sets forth, for the periods indicated, the break-up of contingent liabilities.

Rs. in billion, except percentages

	March 31, 2005	March 31, 2006	% change
Liability on account of outstanding forward exchange contracts	714.85	**918.31**	28.5
Currency swaps	112.96	**172.42**	52.6
Interest rate swaps, currency options and interest rate futures	1,519.22	**2,471.92**	62.7
Guarantees given on behalf of constituents			
– In India	140.44	**170.91**	21.7
– Outside India	15.97	**20.12**	26.0
Acceptances, endorsements and other obligations	74.12	**106.87**	44.2
Claims against the bank not acknowledged as debts	27.46	**29.78**	8.4
Liabilities for partly paid investments	0.17	**0.17**	–
Other items for which the bank is contingently liable	76.35	**59.84**	(21.6)
Total	**2,681.54**	**3,950.34**	**47.3**

The Bank enters into foreign exchange forward contracts, options, swaps and other derivative products to enable customers to transfer, modify or reduce their foreign exchange and interest rate risk and to manage its own interest rate and foreign exchange positions. These instruments are used to manage foreign exchange and interest rate risk relating to specific groups of on-balance sheet assets and liabilities.

The notional principal amount of interest rate swaps, currency options and interest rate futures increased by 62.7% to Rs. 2,471.92 billion at March 31, 2006 compared to Rs. 1,519.22 billion at March 31, 2005. This significant increase is primarily due to increased transactions carried out by the Bank on behalf of its customers and growth in the market for such products. As an active player and market-maker in swap and forward exchange contract markets and due to the fact that reduction in positions is generally achieved by entering into offsetting transactions rather than termination / cancellation of existing transactions, the bank has seen a substantial increase in the notional principal of its swap portfolio during this period.

An interest rate swap does not entail exchange of notional principal and the cash flow arises on account of the difference between the interest rate pay and receive legs of the swap which is generally much lower than the notional principal of the swap. A large proportion of the Bank's interest rate swap, currency swaps and forward exchange contracts are on account of market making which involves providing regular two-way prices to customers or inter-bank counter parties. This results in generation of a higher number of outstanding transactions, and hence a large value of gross notional principal of the portfolio.

Guarantees

As a part of its project financing and commercial banking activities, the Bank has issued guarantees to enhance the credit standing of its customers. These generally represent irrevocable assurances that the Bank will make payments in the event that the customer fails to fulfill its financial or performance obligations. Financial guarantees are obligations to pay a third party beneficiary where a customer fails to make payment towards a specified financial obligation. Performance guarantees are obligations to pay a third party beneficiary where a customer fails to perform a non-financial contractual obligation. The guarantees are generally for a period not exceeding 10 years.

The credit risks associated with these products, as well as the operating risks, are similar to those relating to other types of financial instruments.

The Bank has collateral available to reimburse potential losses on its guarantees. Margins available to reimburse losses realized under guarantees amounted to Rs. 10.29 billion at March 31, 2006 compared to Rs. 4.06 billion at March 31, 2005. Other property or security may also be available to the Bank to cover losses under guarantees.

Capital Commitments

The Bank is obligated under a number of capital contracts. Capital contracts are job orders of a capital nature which have been committed. As of the balance sheet date, work had not been completed to this extent. Estimated amounts of contracts remaining to be executed on capital account aggregated Rs. 1.13 billion at March 31, 2006 compared to Rs. 0.70 billion at March 31, 2005.

Capital adequacy

Rs. in billion, except percentages

	March 31, 2005		March 31, 2006	
	Amount	% of risk-weighted assets	Amount	% of risk-weighted assets
Tier I capital	102.46	7.59	**191.82**	**9.20**
Tier II capital	56.57	4.19	**86.61**	**4.15**
Total capital	159.03	11.78	**278.43**	**13.35**
Risk-weighted assets	1,350.17	–	**2,085.94**	**–**

ICICI Bank's total capital adequacy at March 31, 2006 was 13.35%, including Tier-I capital adequacy of 9.20% and Tier-II capital adequacy of 4.15%. In accordance with the RBI guidelines, the risk weighted assets at March 31, 2006 include home loans to individuals at a risk weightage of 75% and other consumer loans at a risk weightage of 125%. Capital market exposure and commercial real estate exposure have been considered at a risk weightage of 125%. The risk-weighted assets at March 31, 2006 also include the impact of capital requirement for market risk on the "Held for Trading" (HFT) and "Available for Sale" (AFS) portfolio.

RBI has vide its circular DBOD.No.BP.BC.38/21.04.141/2005-06 dated October 10, 2005 permitted banks that have maintained capital of at least 9.0% of the risk-weighted assets for credit risk and market risk for held for trading and available for sale categories of investments at March 31, 2006, to transfer the balance in the Investment Fluctuation Reserve (IFR) 'below the line' in the profit and loss appropriation account to statutory reserve, general reserve or balance of profit & loss account. Pursuant to the above, the entire balance in IFR at March 31, 2006, of Rs. 13.20 billion has been transferred from IFR to Revenue and other Reserves and hence is considered in the Tier-I capital of the Bank.

For all securitisation deals executed subsequent to February 1, 2006, capital requirement has been considered in accordance with the RBI guidelines issued in this regard on February 1, 2006. Deferred tax asset of Rs. 1.64 billion and unamortised expense of Rs. 0.89 billion on account of the early retirement option in 2003 has also been reduced from Tier-I capital. In accordance with RBI guidelines, Tier-I capital includes Rs. 1.50 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. At March 31, 2006 the Bank had not issued any hybrid Tier-I or upper Tier-II instruments.

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 the composition of ICICI Bank's loans and advances at March 31, 2005 and at March 31, 2006.

Rs. in billion, except percentages

	March 31, 2005		March 31, 2006	
	Loans and advances[1]	% of total	Loans and advances[1]	% of total
Retail finance loans[2]	566.52	60.9	**929.08**	**62.9**
Services	29.49	3.2	**77.29**	**5.2**
Iron & steel	47.43	5.1	**45.29**	**3.1**
Crude petroleum & refining	43.67	4.7	**40.51**	**2.7**
Chemicals	28.03	3.0	**39.51**	**2.7**
Roads, ports, railways and telecommunications	30.77	3.3	**29.91**	**2.0**
Power	17.75	1.9	**27.41**	**1.9**
Engineering	17.17	1.8	**23.03**	**1.6**
Metal & metal products	17.43	1.9	**20.37**	**1.4**
Food processing	6.81	0.7	**11.92**	**0.8**
Non-banking finance companies	2.06	0.2	**11.78**	**0.8**
Cotton textiles	11.33	1.2	**9.36**	**0.6**
Automobiles	7.33	0.8	**8.94**	**0.6**

Rs. in billion, except percentages

	March 31, 2005		March 31, 2006	
	Loand and advances(1)	% of total	Loans and advances(1)	% of total
Construction	1.46	0.2	**8.93**	**0.6**
Tea	2.05	0.2	**8.03**	**0.5**
Shipping	8.73	1.0	**7.47**	**0.5**
Cement	10.08	1.1	**7.09**	**0.5**
Paper & paper products	5.43	0.6	**6.40**	**0.4**
Sugar	4.54	0.5	**5.92**	**0.4**
Other textiles	4.21	0.5	**4.11**	**0.3**
Gems & jewellery	2.66	0.3	**2.56**	**0.2**
Other industries	65.50	6.9	**151.34**	**10.3**
Total	**930.45**	**100.0**	**1,476.25**	**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.

At March 31, 2006, the three largest industries to which the Bank had given loans were services (5.2%), iron & steel (3.1%) and crude petroleum/refining (2.7%).

The following table sets forth, at March 31, 2006, the composition of ICICI Bank's retail finance loans, net of provisions.

Rs. in billion, except percentages

	Loans and advances(1)	% of total
Mortgage finance(2)	454.07	49.3
Automobile loans	188.24	20.4
Commercial business loans	112.16	12.2
Personal loans	58.21	6.3
Other retail loans	109.30	11.9
Total	**921.98**	**100.0**

(1) Net of provisions and write off.
(2) Includes commercial real estate.

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. The banks may, with the approval of their boards, enhance the exposure to a borrower up to 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, 2006 accounted for approximately 13.0% of ICICI Bank's capital funds. The largest borrower group at March 31, 2006 accounted for approximately 22.2% of ICICI Bank's capital funds with the approval of the Board of Directors.

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 31, 2006 which was the last reporting friday for fiscal 2006, the Bank's priority sector outstanding were Rs. 432.29 billion, constituting 49.7% 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. 146.58 billion at March 31, 2006 compared to Rs. 67.63 billion at March 18, 2005, a growth of 116.7%. At March 31, 2006, loans eligible to be classified as agriculture lending represented 16.8% of the Bank's residual net bank credit comprising 11.6% direct agri-lending and 5.2% indirect agri-lending as against the requirement of 13.5% direct lending and 4.5% indirect 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 2005, 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.

RBI has issued separate guidelines for restructured loans. A fully secured standard asset can be restructured by reschedulement of principal repayments and/or the interest element, but must be separately disclosed as a restructured asset. The amount of sacrifice, if any, in the element of interest, measured in present value terms, is either written off or provision is made to the extent of the sacrifice involved. Similar guidelines apply to sub-standard loans. The sub-standard accounts which have been subjected to restructuring, whether in respect of principal installment or interest amount are eligible to be upgraded to the standard category only after the specified period, i.e., a period of one year after the date when first payment of interest or of principal, whichever is earlier, falls due, subject to satisfactory performance during the period.

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, 2005 and March 31, 2006.

Rs. in billion

	March 31, 2005	March 31, 2006
Standard assets	959.11	**1,509.32**
Of which: restructured standard loans	62.63	**53.16**
Non-performing assets	19.83	**10.75**
Of which: Loss assets(1)	–	**–**
Doubtful assets	13.70	**4.54**
Sub-standard assets	6.13	**6.21**
Net customer assets(2)	978.94	**1,520.07**

(1) All loss assets have been written off or provided for.
(2) Customer assets include advances and credit substitutes like debentures and bonds.
(3) 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. in billion, except percentages

At	Gross NPA[1]	Net NPA	Net customer assets	% of Net NPA to customer assets
March 31, 2004	40.14	20.37	710.02	**2.87**
March 31, 2005	34.32	19.83	978.94	**2.03**
March 31, 2006	22.68	10.75	1,520.07	**0.71**

(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 0.7% at March 31, 2006 from 2.0% at March 31, 2005. At March 31, 2006, the gross non-performing assets (net of write-offs) were Rs. 22.68 billion compared to Rs. 34.32 billion at March 31, 2005. Gross of technical write-offs, the gross non-performing loans at March 31, 2006 were Rs. 29.63 billion compared to Rs. 51.40 billion at March 31, 2005. 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, 2006 was 63.7%. The Bank's investments in security receipts issued by Asset Reconstruction Company (India) Limited, a reconstruction company registered with RBI, were Rs. 21.22 billion at March 31, 2006.

Classification of Non-Performing Loans by Industry

The following table sets forth the classification of gross non-performing loans (net of write-offs) by industry sector at March 31, 2005 and March 31, 2006.

Rs. billion, except percentages

	March 31, 2005		March 31, 2006	
	Amount	% of total	Amount	% of total
Chemicals	4.03	11.6	**1.99**	**8.7**
Textiles	3.24	9.4	**1.26**	**5.5**
Services – Others	0.67	1.9	**0.80**	**3.5**
Agriculture	0.27	0.8	**0.80**	**3.5**
Automobile (including trucks)	0.68	2.0	**0.74**	**3.2**
Electronics	1.41	4.1	**0.39**	**1.7**
Food processing	0.72	2.1	**0.34**	**1.5**
Iron & steel	0.67	1.9	**0.19**	**0.8**
Engineering	1.42	4.1	**0.14**	**0.6**
Ceramics, granites & related	0.25	0.7	**0.13**	**0.6**
Paper & paper products	0.35	1.0	**0.05**	**0.2**
Other metal & metal products	0.38	1.1	**0.04**	**0.2**
Rubber & rubber products	0.33	0.9	**0.03**	**0.1**
Services – Finance	0.77	2.2	**0.01**	**0.0**
Power	7.37	21.3	**0.00**	**0.0**
Cement	0.20	0.6	**0.00**	**0.0**
Other Infrastructure – Telecom	2.14	6.2	**0.00**	**0.0**
Miscellaneous & others[1]	9.70	28.1	**16.04**	**69.9**
Total of above	**34.60**	**100.0**	**22.95**	**100.0**
Less: Interest suspense & claims received from ECGC/ DICGC	0.28		0.27	
Gross non-performing loans (net of write-offs)	**34.32**		**22.68**	

(1) Net non-performing assets in the retail portfolio at March 31, 2006 were 0.77% of net retail loans.

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

SEGMENTAL INFORMATION

The Bank's operations are classified into the following segments: commercial banking segment and investment banking segment. Segment data for previous periods has been reclassified on a comparable basis.

The consumer & commercial banking segment provides medium-term and long-term project and infrastructure financing, securitization, factoring, lease financing, working capital finance and foreign exchange services to clients. Further, it provides deposit and loan products to retail customers. The investment banking segment includes treasury operations.

Consumer & Commercial Banking Segment

Profit before tax of the consumer and commercial banking segment increased to Rs. 26.55 billion in fiscal 2006 from Rs. 18.95 billion in fiscal 2005.

Net interest income, increased by 51.6% to Rs. 37.51 billion in fiscal 2006 from Rs. 24.74 billion in fiscal 2005, primarily due to an increase in the interest income on advances and investments and a reduction in the interest expense on borrowings, offset, in part, by an increase in the interest expense on deposits.

Non-interest income increased by 46.7% to Rs. 37.17 billion in fiscal 2006 from Rs. 25.34 billion in fiscal 2005 primarily due to growth in commission and brokerage income. Commission and brokerage income increased mainly due to growth in credit card related fees and third-party product distribution fees, increase in income from remittances and other fees from international products and services and growth in fees from corporate customers.

Non-interest expenses increased by 34.6% to Rs. 40.81 billion in fiscal 2006 from Rs. 30.32 billion in fiscal 2005, primarily due to enhanced operations and the growth in the retail franchise, including maintenance of ATMs, credit card expenses, call centre expenses and technology expenses.

Provisions for contingencies (excluding provisions for tax) in fiscal 2006 was Rs. 7.32 billion compared to Rs. 0.81 billion in fiscal 2005 primarily due to increased provisions on standard assets as per RBI guidelines in fiscal 2006 and higher level of write-backs in fiscal 2005.

Investment Banking Segment

Profit before tax of investment banking segment was Rs. 4.80 billion in fiscal 2006 as compared to Rs. 6.71 billion in fiscal 2005.

Net interest income increased by 19.2% to Rs. 4.35 billion in fiscal 2006 compared to Rs. 3.65 billion in fiscal 2005 mainly due to 80.4% rise in interest income from government securities, offset in part by increase in interest on inter-bank borrowings.

Non-interest income increased by 43.5% to Rs. 12.66 billion in fiscal 2006 from Rs. 8.82 billion in fiscal 2005 primarily due to higher capital gains realised on sale of equity investments.

Non-interest expenses increased by 57.2% to Rs. 3.60 billion in fiscal 2006 from Rs. 2.29 billion in fiscal 2005 primarily due to increase in employee expenses and other administrative expenses.

Provisions increased to Rs. 8.62 billion in fiscal 2006 compared to Rs. 3.47 billion in fiscal 2005. The sharp increase in provisions reflects the increase in the amount of amortisation of premium on government securities.

CONSOLIDATED FINANCIALS AS PER INDIAN GAAP

The consolidated profit after tax for fiscal 2006 was Rs. 24.20 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 the insurance company accounting norms had a negative impact 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

	Fiscal 2005	Fiscal 2006
ICICI Securities Limited	0.64	**1.57**
ICICI Prudential Life Insurance Company Limited	(2.12)	**(1.88)**
ICICI Lombard General Insurance Company Limited	0.48	**0.50**
ICICI Venture Funds Management Company Limited	0.32	**0.50**
ICICI Home Finance Company Limited	0.10	**0.12**
Prudential ICICI Asset Management Company Limited	0.17	**0.31**
ICICI Bank UK Limited	0.10	**0.64**
ICICI Bank Canada	(0.25)	**(0.25)**
ICICI Bank Eurasia Limited Liability Company	–	**0.01**

RECONCILIATION OF PROFITS AS PER INDIAN GAAP AND US GAAP

As a result of the differences in the basis of accounting under US GAAP and Indian GAAP, the Bank's US GAAP accounts showed a profit of Rs. 20.04 billion as compared to consolidated profit of Rs. 24.20 billion under Indian GAAP in fiscal 2006. A condensed reconciliation of consolidated profit after tax as per Indian GAAP with net income as per US GAAP for fiscal 2006 is set out in the following table:

Rs. in billion

Consolidated profit after tax as per Indian GAAP	**24.20**
Adjustments :	
Allowances for loan losses	(5.21)
Business combinations	(1.05)
Consolidation	0.27
Valuation of securities	0.54
Amortisation of fees & cost	3.16
Accounting for derivatives	(0.15)
Deferred taxes	(1.72)
Net income as per US GAAP	**20.04**

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

Section 217

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, 2006) in respect of employees of ICICI Bank Limited

Name, Qualifications and Age (in years)	Desig./ Nature of Duties ***	Remuneration Received		Experience (in years)	Date of Commencement of Employment	Last Employment
		Gross (Rs.)	Net (Rs.)			
Agarwal Anuj, MBA, (37)	DGM	2755395	2083814	15	20-May-99	Manager Resources, HDFC Limited
Agarwal Arpit, B.Sc., MFC, (38)*	JGM	2581836	1978603	15	14-Mar-02	Deputy Head Private Banking, BNP Paribas
Aggarwal Smita (Ms.), B.Com, CA, (37)*	JGM	1922390	1450981	14	06-Jun-91	—
Arora Rajiv, BE, MBA, (39)	JGM	3344910	2393194	17	23-Apr-93	Project Officer, IFCI
Alladi Ashok, B.Sc., (55)*	GM	1526959	1142645	32	19-Feb-96	Asst. General Manager, State Bank of India
Badami Suresh, B.Sc., PGDM, (34)	JGM	3262499	2341784	12	16-Oct-02	Head Regional Business Development, Max Ateev Limited
Bagchi Anup, B.Tech, PGDM, (35)	GM	5060754	3728262	14	26-May-92	—
Batra Mohit, BE, MS, (40)	GM	5459808	3996971	14	24-Apr-92	—
Bengani Vikash, B.Com, DBF, CA, CFA, (32)	DGM	5957021	4155716	10	16-Dec-96	Citibank N.A.
Bhatia Sharadkumar, BE, MBA, (51)*	DGM	894372	764087	26	15-Jun-79	—
Bisht Subir, BE, MBA, (42)*	DGM	1485747	1191725	18	01-Dec-92	Research Assistant, Pace University
Chakraborty Suvalaxmi (Ms.), B.Com, CA, (39)	GM	6061418	4329124	18	01-Feb-89	Junior Officer, Price Waterhouse
Chandok Vijay, B.Tech, MMS, (38)	GM	4589250	3435126	15	31-May-93	Production Executive, ITC Group - VST Industries
Chaudhry Ajay, BE, MBA, (49)	GM	4706794	3335452	28	03-Dec-81	Officer, HMV
Chougule Sanjay (Dr.), BE, MMS, LLB, Ph.D, (42)	JGM	3790516	2799269	20	01-Jun-87	Junior Engineer, RCF Limited
Daruwala Zarin (Ms.), B.Com, CA,CS, (41)	GM	4222406	3026970	17	21-Jun-89	—
Dasgupta Bhargav, BE, PGDM, (39)	SGM	6881874	5013245	16	18-May-92	Gr. Eng. Trainee, Telco
Datar Salil, B.Com, CAIIB, MMS, (39)	AGM	2416029	1773856	17	09-May-02	Head Exports, Schenectady Herdillia
Delima Paulus, BA, (47)*	DGM	1573201	1149693	28	04-Oct-95	Manager, Bank of Maharashtra
Deoras Rajeev, BE, CAIIB, (46)	DGM	2581420	1904393	26	19-Jun-94	Officer MIII, State Bank of India
Dhamodaran S., B.Sc., CAIIB, (51)	JGM	3360255	2408700	31	04-Apr-94	Manager, State Bank of India
Dole Sudhir Balram, B.Com, CWA, PGDM, (36)	GM	3922009	2840998	14	16-Apr-03	Senior Relationship Manager, Standard Chartered Bank
Dutta Joydeep, BE, MS, (46)	JGM	2548739	1913369	23	21-Apr-95	Senior DB Analyst, Gartner
Gambhir Neeraj, BE, PGDM, (33)	GM	6134689	4231175	10	15-Jun-98	Manager, Kotak Mahindra
Ghotgalkar Shekhar, B.Com., MMM, (44)**	DGM	2630077	1941252	11	20-Aug-01	Vice President, Orix Auto Finance (India)
Gopakumar P., B.Sc., ICWAI, CAIIB, (42)*	DGM	1177436	874584	21	17-Aug-01	Manager, Standard Chartered Bank
Gopalakrishnan Venkatraman, B.Com, MMS, (40)	JGM	3516078	2485476	18	09-Aug-04	Vice President, IDBI Bank Limited
Gopinath M. N., B.Com, MBA, CAIIB, (57)*	SGM	5012354	3631871	36	01-Jun-95	Asst. General Manager, Bank of India
Gune Smita (Ms.), B.Com, CA, CIA, (48)	GM	4011983	2864509	22	12-Oct-98	Asst. General Manager, Tata Finance
Gupta Ajay, B.Com, CA, (39)	JGM	3832483	2849223	16	25-Nov-91	Articled Clerk, A.F. Ferguson Co.
Gupta Deviinder, BA, DBM, CAIIB, (47)	JGM	2935930	2269010	24	23-Jul-96	Indian Overseas Bank
Gupte D. Lalita (Ms.), BA (Hons), MMS, (57)+	JMD	18263764	12903903	35	15-Jun-71	—
Hegde Brahmanand, M.Sc, CAIIB, (47)	DGM	2635317	1915114	22	26-Feb-92	Assistant Manager, Bank of Maharashtra
Jain Mukesh, B.Com, CAIIB, PGDBM, DBANKM, (46)	GM	5198978	3759100	26	29-Mar-94	Officer, Canara Bank
Jayarao K.M., BE, (50)	GM	5394373	3805953	26	22-Mar-82	Junior Executive, BHEL, Hyderabad
Jha Rakesh, BE, PGDM, (34)	GM	3800860	2736430	10	03-Jun-96	—
Juneja Maninder, BE, PGDM, (40)	GM	4310869	3066522	15	05-Apr-99	Head Agency Business, DGP Windsor
Kamath K.V., BE, PGDBA, (58)+	MD & CEO	24057781	16960027	35	01-May-96	Adviser to Chairman, Bakrie Group, Indonesia
Kannan N. S., BE,CFA, PGDM, (40)*	SGM	5236882	3790000	17	02-May-91	Executive, SRF Limited
Kanwar Vivek, BA (Hons), PGDBM, (42)	JGM	3394994	2516491	20	30-May-94	India Telecomp Limited
Kaul Anil, B.Sc., MBA, (40)	JGM	3182089	2311064	17	04-Jan-99	Zonal Manager, Standard Chartered Bank
Kerkar Sanjiv, B.Tech, MFM, (55)	SGM	9587953	6842256	31	26-Nov-96	Director-Operations, Asian Finance & Investment
Khandelwal Sachin, BE, MBA, (39)	GM	4965143	3492123	14	10-Dec-99	Honda Siel Cars
Khasnobis Sudhamoy, BE, (51)**	GM	7057644	5088574	25	12-Jan-81	Asst. Industrial Engineer, Hindustan Motors 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
Khera Manish, BE, MBA, (36)	JGM	3195492	2404118	12	03-May-93	—
Kishore S., BE, ME, MBA, (40)**	DGM	3231950	2405243	18	24-Feb-93	Product Engineer, Lucas TVS Limited
Kochhar Chanda (Ms.), BA, MMS, ICWAI, (44)+	ED	11031983	7605293	22	17-Apr-84	—
Kumar Ashish, MA, MMS, (34)	DGM	2439587	1836511	12	11-Oct-99	Regional Manager, Ceat Financial Services Limited
Kumar Shilpa (Ms.), B.Com, PGDM, (39)	GM	3475368	2475321	17	01-Jun-89	—
Kumar Sushant, MA, CAIIB, (46)	JGM	2790073	2076349	18	18-Jul-94	Deputy Manager, United Bank of India
Kuppuswami Swaminathan, B.Com, CAIIB, (51)	DGM	2480722	1861381	29	24-Feb-97	Officer MII, Union Bank of India
Kusre Anand, B.Tech, M.Tech, (56)*	GM	4404435	3385665	33	04-Jan-80	Officer, State Bank of Hyderabad
Londhe Dileep, BE, DFM, (50)*	DGM	2372986	1756467	26	01-Jun-83	Project Engineer, Hico Products Limited
Madhivanan B., B.Sc., PGDM, (36)	GM	4415969	3292489	15	16-Dec-99	Chief Manager, Arvind Mills Limited
Malhotra Sandeep, B.Tech, M.Tech, (40)	GM	5947124	4303687	19	18-Nov-91	Simens India Limited
Mantri Sanjeev, B.Com, ACA, (35)	JGM	3027441	2222694	11	01-Oct-03	Deputy Head - Corp. Banking, BNP Paribas
Mehta Jyotin, B.Com, ICWA, CA, CS, (48)	GM & CS	3293627	2440827	23	01-Mar-00	Vice President - Finance & CS, Bharat Shell
Menon Sunith, B.Tech, (37)	AGM	2478917	1820948	15	11-Nov-99	Business Manager, SRF Financials
Mhatre Sangeeta (Ms.), B.Com, CA, (42)	GM	4213729	3012628	20	12-Jun-89	Junior Officer, Price Waterhouse
Misra Manish, B.Tech, PGDM, (35)	DGM	2484793	1822822	9	19-Jun-02	Vice President, Oyster Solutions
Mor Nachiket (Dr.), B.Sc., PGDM, Ph.D., (42)+	ED	9417013	6586490	19	04-May-87	—
Morparia Kalpana (Ms.), B.Sc., LLB, (56)+	DMD	13163539	9384250	31	05-Nov-75	Legal Assistant, Malubhai Jamiatram & Madon
Mukerji Neeta (Ms.), BA, PGDM, (40)	GM	5091633	3674886	17	01-Jun-89	—
Mulye Vishakha (Ms.), B.Com, CA, (37)	CFO & TR	6130531	4394674	13	01-Mar-93	Officer, Deutsche Bank
Muralidharan R., B.Sc., MA, CAIIB, (44)	JGM	3308521	2404965	24	16-May-94	Branch Manager, State Bank of India
Nachiappan V., B.Sc., DBM, CAIIB, PGDBA, (52)	GM	3406681	2498076	32	01-May-00	General Manager, Bank of Madura Limited
Narayanan Ravi, BE, PGDBM, (43)	JGM	3206070	2275669	19	17-Apr-00	Regional Manager, Eicher Motors Limited
Nayak Girish, B.Tech, PGDM, (35)	JGM	3576654	2588369	13	02-May-94	Mastek Limited
Nirantar Rajendra, B.Com, DIRPM, CAIIB, BGL, (51)	GM	4102832	2943574	31	23-May-94	Manager, Union Bank of India
Nirula Ramni (Ms.), BA, MBA, (53)	SGM	7437326	5338897	30	01-Dec-75	—
Pal D. K., B.Com, ACA, (51)	JGM	3470831	2567763	26	02-Mar-81	State Bank of India
Pandey Keshav, B.Com, MDBA, (42)	AGM	2455328	1819978	16	04-Oct-02	Zonal Head West, Tata AIG Life Insurance
Pani Subrat, BE, PGDBM, (35)	DGM	2700039	1939353	12	22-Apr-02	Regional Business Head, SBI Cards
Patnaik Shyam, B.Sc, PGPIM, (49)	DGM	2414090	1787044	25	16-Nov-96	Officer MII, Canara Bank
Patni Ashok Kumar, MA, (51)	DGM	2788679	2088682	29	01-May-96	Officer SMIV, State Bank of Bikaner & Jaipur
Pinge Nagesh, B.Com, BGL, ACA, (47)	SGM	7568137	5308399	21	06-Apr-98	Director, Anik Financial
Prakash V., M.Sc., CAIIB, DBM, (43)	DGM	2584958	1944716	21	26-Mar-97	Officer, State Bank of India
Puri-Buch Madhabi (Ms.), BA(Hons),PGDM,DPR(UK)(40)	SGM	7454338	5143695	17	02-Jan-97	Research Director, MARG
Purker Prashant, B.Tech, PGDBM, (43)	GM	4391828	3082726	16	22-Jul-02	CEO, IRIS Limited
Raji Verghese, B.Com, PGDBA, (40)	DGM	2665651	1927380	14	08-Mar-99	Manager Operations, GE Capital TFS Limited
Ramakrishnan Murali, B.Tech, PGDM, (43)	JGM	3389175	2465127	20	02-Aug-99	GE Capital TFS Limited
Ramasubramanian Suresh, B.Com, PGDPMIR, (36)*	DGM	2674695	1997201	15	25-Apr-03	Unit Manager, Hewitt Associates
Ramesh G.V.S, B.Com, ACA, (42)	JGM	3290599	2411555	19	29-Jun-92	Wipro Systems
Ramkumar Krishnaswamy, B.Sc., PGDPM & IR, (44)	SGM	7219981	5157602	21	02-Jul-01	General Manager (HR), ICI India Limited
Ranade Anupama (Ms.), B.Com, ICWAI, CS, CA, (36)	AGM	3169220	2330563	12	24-May-93	—
Rao Pramod, BA, LLB, (32)	GM	3266423	2402081	10	01-Aug-96	Mulla & Mulla
Ravikumar P. H., B.Com, CAIIB, (54)*	SGM	5370088	3911233	34	15-Jul-94	Chief Manager, Bank of India
Rohokale Sunil, BE, MBA, (35)	DGM	3211656	2381099	12	01-Jun-94	Mgmt. Trainee, Atlas Copco (I) Limited
Ruddra Bharat, MA, CAIIB, (52)*	DGM	2335805	1702921	33	11-Oct-96	Officer MIII, Bank of India

Name, Qualifications and Age (in years)	Desig./ Nature of Duties ***	Remuneration Received Gross (Rs.)	Net (Rs.)	Experience (in years)	Date of Commencement of Employment	Last Employment
Sabharwal Rajiv, B.Tech, PGDM, (40)	GM	4890295	3501551	16	21-Dec-98	Assistant Vice-President, Times Bank
Saha Anup Kumar, B.Tech, PGDM, (35)	DGM	2627259	1871696	13	21-Jun-03	Asst. Vice President, GE Capital
Saha Modan, B.Tech, PGDM, (34)	JGM	2735138	2099529	10	17-Apr-00	Consultant, Tata Strategic Mngt. Group
Saraf Ajay, B.Com, ICWAI, ACA, (36)	JGM	3273096	2397892	14	01-Jun-02	Director Corporate Banking, American Express Bank Limited
Sardesai Gira (Ms.), B.Com, CA, (46)*	JGM	2007353	1539552	22	31-Oct-01	Deputy General Manager, Pidilite Industries Limited
Sarkar Debashis, B.Tech, PGDQM, PGDMFM, MS, (38)	DGM	2960033	2163456	15	11-Jul-02	Head Corporate Quality, Marico Industries
Sarma Rammohan, BE, PGDM, (29)*	CM	5707063	3965707	6	14-May-01	Graduate Trainee Engineer, Telco
Satyaprasad Manikonda, M.Com, CAIIB, (47)	DGM	3193337	2302539	28	26-Dec-01	Senior Vice-President and Regional Manager, Credit Lyonnaes Bank
Sehrawat Sanjeev, B.Sc, MBA, PGDM, (37)	JGM	2917768	2168116	13	03-Jun-96	Officer, Bharat Petroleum
Seshadri Sridhar, M.Com, CAIIB, (44)	DGM	2512765	1875534	24	06-Feb-95	Systems Analyst-Scale II, Syndicate Bank
Seshadri Vishwanath, B.Com, ACA, (44)	GM	4709419	3390424	18	19-Aug-98	Manager Finance, Countrywide
Sharma Sharad, B.Com, PGDBM, (42)	AGM	2484135	1852160	17	15-Apr-03	VP Operations, Zenta Technology Limited
Sharma Sudershan, B.Com, CS, CA, (36)	DGM	6990382	4798241	11	01-Jul-99	Grade 'B' Manager, IDBI
Shetty Supritha (Ms.), B.Com, CA, (40)	DGM	2423032	1777216	15	26-Sep-03	Manager, BNP Paribas
Shroff Aditya, BALLB, (35)	JGM	2550636	1924866	11	04-Jul-03	Senior Associate, CZB & Partners
Singh Rajnish, BE, PGDM, (38)	DGM	2566407	1891118	14	18-Apr-94	Rashtriya Ispat Nigam Limited
Singh Saurabh, MA, MMS, (39)	JGM	3446399	2476385	15	31-Dec-99	Manager HRD, Tata Liebert
Sivaramakrishnan N., M.Sc, ICWAI, (50)*	AGM	2126129	1606446	26	27-Apr-94	Manager-Scale II, Bank of Baroda
Srinivas G., B.Tech, PGDM, (38)	JGM	3641746	2583566	15	08-Jun-93	Management Trainee, IFCI
Srivastava Om Prakash, M.Sc., CAIIB, PGDM, (50)	GM	5009539	3603403	29	03-May-93	Sr. Vice President, PNB Capital Services Limited
Swaminathan Balaji, B.Com, ICWAI, CA, (41)*	SGM	7884295	5751349	17	01-Aug-01	Partner, KPMG India
Tikotekar Sanjay, B.Com, LLB, CAIIB, NCFM, AMFI, (47)	JGM	3231729	2402771	28	01-Dec-94	Deputy Manager, Bank of Maharashtra
Vaidyanathan V., MBA, AMP (HBS), (38)	SGM	8572241	6017154	16	06-Mar-00	Citibank N. A.
Vedasagar R., B.Sc., BL, (53)*	GM	3505840	2562639	29	04-Jul-80	Advocate
Venkatakrishnan G., M.Sc, ICWAI, PGDBM, CAIIB, (55)	GM	4696932	3478625	31	15-Dec-97	Officer SMV, State Bank of India
Vohra Pravir, MA, CAIIB, (51)	SGM	6884145	5012746	31	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	CM	- Chief Manager

Note:
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, 2006 and remuneration is for the year ended that date.

For and on behalf of the Board

N. VAGHUL
Chairman

Mumbai, April 29, 2006

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, 2006 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 foreign branch not visited by us. The audited returns of the foreign branch has been forwarded to us and has been appropriately dealt with;

   d) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;

   e) In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, insofar as they apply to the Bank;

   f) On the basis of written representations received from the directors, as on March 31, 2006, 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, 2006;

      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 29, 2006

balance sheet

ICICI Bank

as on March 31, 2006 **(Rs. in '000s)**

	Schedule	As on 31.03.2006	*As on 31.03.2005*
CAPITAL AND LIABILITIES			
Capital	1	**12,398,345**	*10,867,758*
Reserves and Surplus	2	**213,161,571**	*118,131,954*
Deposits	3	**1,650,831,713**	*998,187,775*
Borrowings	4	**385,219,136**	*335,444,960*
Other liabilities and provisions	5	**252,278,777**	*213,961,606*
TOTAL CAPITAL AND LIABILITIES		**2,513,889,542**	*1,676,594,053*
ASSETS			
Cash and balance with Reserve Bank of India	6	**89,343,737**	*63,449,004*
Balances with banks and money at call and short notice	7	**81,058,508**	*65,850,719*
Investments	8	**715,473,944**	*504,873,525*
Advances	9	**1,461,631,089**	*914,051,517*
Fixed Assets	10	**39,807,115**	*40,380,361*
Other Assets	11	**126,575,149**	*87,988,927*
TOTAL ASSETS		**2,513,889,542**	*1,676,594,053*
Contingent liabilities	12	**3,950,336,655**	*2,681,537,382*
Bills for collection		**43,384,648**	*23,920,922*
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
Membership No. : 048749

Place : Mumbai
Date : April 29, 2006

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
Joint Managing Director

CHANDA D. KOCHHAR
Deputy Managing Director

NACHIKET MOR
Deputy Managing Director

VISHAKHA MULYE
Chief Financial Officer
& Treasurer

JYOTIN MEHTA
General Manager &
Company Secretary

RAKESH JHA
General Manager

profit and loss account

for the year ended March 31, 2006 **(Rs. in '000s)**

	Schedule	Year ended 31.03.2006	*Year ended 31.03.2005*
I. INCOME			
Interest earned	13	**137,844,958**	*94,098,944*
Other income	14	**49,831,394**	*34,161,439*
TOTAL INCOME		**187,676,352**	*128,260,383*
II. EXPENDITURE			
Interest expended	15	**95,974,483**	*65,708,876*
Operating expenses	16	**44,795,170**	*32,991,475*
Provisions and contingencies	17	**21,505,952**	*9,508,016*
TOTAL EXPENDITURE		**162,275,605**	*108,208,367*
III. PROFIT/LOSS			
Net profit for the year		**25,400,747**	*20,052,016*
Profit brought forward		**1,882,221**	*530,876*
TOTAL PROFIT / (LOSS)		**27,282,968**	*20,582,892*
IV. APPROPRIATIONS/TRANSFERS			
Transfer to Statutory Reserve		**6,360,000**	*5,020,000*
Transfer to Reserve Fund		**222**	—
Transfer to Capital Reserve		**680,000**	*200,000*
Transfer to Investment Fluctuation Reserve		**5,900,000**	—
Transfer from Investment Fluctuation Reserve		**(13,203,350)**	—
Transfer to Special Reserve		**2,750,000**	*250,000*
Transfer to Revenue and other reserves		**13,203,350**	*6,000,000*
Proposed equity share dividend		**7,593,326**	*6,329,609*
Proposed preference share dividend		**35**	*35*
Corporate dividend tax		**1,064,969**	*901,027*
Balance carried over to balance sheet		**2,934,416**	*1,882,221*
TOTAL		**27,282,968**	*20,582,892*
Significant accounting policies and notes to accounts	18		
Earning per share (Refer note B. 4)			
Basic (Rs.)		**32.49**	*27.55*
Diluted (Rs.)		**32.15**	*27.33*
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 S. R. Batliboi & Co.
Chartered Accountants

per VIREN H. MEHTA
a Partner
Membership No. : 048749

Place : Mumbai
Date : April 29, 2006

VISHAKHA MULYE
Chief Financial Officer & Treasurer

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
Joint Managing Director

CHANDA D. KOCHHAR
Deputy Managing Director

NACHIKET MOR
Deputy Managing Director

JYOTIN MEHTA
General Manager & Company Secretary

RAKESH JHA
General Manager

cash flow statement

ICICI Bank

for the year ended March 31, 2006 **(Rs. in '000s)**

Particulars		Year ended 31.03.2006	Year ended 31.03.2005
Cash flow from operating activities			
Net profit before taxes		**30,966,076**	*25,272,032*
Adjustments for:			
Depreciation and amortisation		**9,021,206**	*9,424,450*
Net (appreciation)/depreciation on investments		**8,301,403**	*5,416,494*
Provision in respect of non-performing assets (including prudential provision on standard assets)		**7,947,244**	*(1,213,571)*
Provision for contingencies & others		**226,801**	*85,984*
Dividend from subsidiaries		**(3,386,929)**	*(1,880,786)*
(Profit)/Loss on sale of fixed assets		**(71,222)**	*20,822*
		53,004,579	*37,125,425*
Adjustments for:			
(Increase)/decrease in investments		**(141,019,247)**	*(43,133,937)*
(Increase)/decrease in advances		**(552,112,941)**	*(287,949,797)*
Increase/(decrease) in borrowings		**65,476,052**	*54,169,059*
Increase/(decrease) in deposits		**652,643,939**	*317,101,929*
(Increase)/decrease in other assets		**(36,704,232)**	*(20,734,975)*
Increase/(decrease) in other liabilities and provisions		**13,861,469**	*43,226,853*
		2,145,040	*62,679,132*
Refund/(payment) of direct taxes		**(8,620,283)**	*(8,487,388)*
Net cash generated from operating activities	**(A)**	**46,529,336**	*91,317,169*
Cash flow from investing activities			
Investments in subsidiaries and/or joint ventures (including application money)		**(8,509,194)**	*(6,430,433)*
Income received on such investments		**3,386,929**	*1,880,786*
Purchase of fixed assets		**(5,474,001)**	*(3,795,277)*
Proceeds from sale of fixed assets		**942,843**	*262,914*
(Purchase) / sale of held to maturity securities		**(69,286,381)**	*(26,370,435)*
Net cash generated from investing activities	**(B)**	**(78,939,804)**	*(34,452,445)*
Cash flow from financing activities			
Proceeds from issue of share capital (other than ESOPs) net of issue expenses		**79,039,409**	*31,922,933*
Amount received on exercise of stock options		**774,424**	*649,862*
Net proceeds / (repayment) of bonds (including subordinated debt)		**869,592**	*(38,616,923)*
Dividend and dividend tax paid		**(7,174,390)**	*(6,227,217)*
Net cash generated from financing activities	**(C)**	**73,509,035**	*(12,271,345)*
Effect of exchange fluctuation on translation reserve	**(D)**	**3,955**	*—*
Net increase / (decrease) in cash and cash equivalents	**(A) + (B) + (C) + (D)**	**41,102,522**	*44,593,379*
Cash and cash equivalents at 1st April		**129,299,723**	*84,706,344*
Cash and cash equivalents at 31st March		**170,402,245**	*129,299,723*

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 and on behalf of the Board of Directors

For S. R. Batliboi & Co.
Chartered Accountants

N. VAGHUL
Chairman

K. V. KAMATH
Managing Director & CEO

per VIREN H. MEHTA
a Partner
Membership No. : 048749

LALITA D. GUPTE
Joint Managing Director

KALPANA MORPARIA
Joint Managing Director

CHANDA D. KOCHHAR
Deputy Managing Director

NACHIKET MOR
Deputy Managing Director

Place : Mumbai
Date : April 29, 2006

VISHAKHA MULYE
Chief Financial Officer
& Treasurer

JYOTIN MEHTA
General Manager &
Company Secretary

RAKESH JHA
General Manager

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

	As on 31.03.2006	As on 31.03.2005
SCHEDULE 1 - CAPITAL		
Authorised Capital		
1,000,000,000 equity shares of Rs. 10 each [March 31, 2005: 1,550,000,000 equity shares of Rs. 10 each]	**10,000,000**	*15,500,000*
55,000,000 preference shares of Rs. 100 each [March 31, 2005: Nil]	**5,500,000**	—
350 preference shares of Rs. 10 million each	**3,500,000**	*3,500,000*
Equity share capital		
Issued, subscribed and paid-up capital 736,716,094 equity shares of Rs. 10 each (March 31, 2005: 616,391,905 equity shares)	**7,367,161**	*6,163,919*
Add : Issued 110,967,096 equity shares of Rs. 10 each fully paid up vide prospectus dated December 8, 2005 (March 31, 2005: 115,866,538 equity shares vide prospectus dated April 12, 2004.)[1]	**1,109,671**	*1,158,665*
Add : Issued 37,237,460 equity shares of Rs. 10 each fully paid up consequent to issue of 18,618,730 American Depository Shares (ADS) vide prospectus dated December 6, 2005 (includes 2,428,530 ADS issued under green shoe option)	**372,374**	—
Add : Issued 4,903,251 equity shares of Rs. 10 each fully paid up (March 31, 2005: 4,457,651 equity shares) on exercise of employee stock options	**49,033**	*44,577*
Less : Calls unpaid	**266**	—
Add : Forfeited 67,323 equity shares (March 31, 2005: 67,323 equity shares)	**372**	*372*
Share capital suspense [net] [Represents application money received for Nil equity shares (March 31, 2005: 22,470 equity shares) of Rs. 10 each on exercise of employee stock options]	**—**	*225*
TOTAL EQUITY CAPITAL	**8,898,345**	*7,367,758*
Preference Share Capital [2] [Represents face value of 350 preference shares of Rs. 10 million each issued to preference shareholders of erstwhile ICICI Limited on amalgamation redeemable at par on April 20, 2018]	**3,500,000**	*3,500,000*
TOTAL CAPITAL	**12,398,345**	*10,867,758*

1. Includes 14,285,714 equity shares of Rs. 10 each fully paid up consequent to green shoe option vide prospectus dated December 8, 2005 (March 31, 2005: 6,992,187 equity shares on exercise of green shoe option vide prospectus dated April 12, 2004).
2. For these preference shares, 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.

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

	As on 31.03.2006	As on 31.03.2005
SCHEDULE 2 – RESERVES AND SURPLUS		
I. Statutory reserve		
Opening balance	14,627,307	9,607,307
Additions during the year	6,360,000	5,020,000
Deductions during the year	—	—
Closing balance	20,987,307	14,627,307
II. Special reserve		
Opening balance	11,940,000	11,690,000
Additions during the year	2,750,000	250,000
Deductions during the year	—	—
Closing balance	14,690,000	11,940,000
III. Share premium		
Opening balance	39,892,352	8,523,304
Additions during the year [1]	79,157,323	31,897,100
Deductions during the year [2]	874,078	528,052
Closing balance	118,175,597	39,892,352
IV. Investment fluctuation reserve		
Opening balance	5,160,000	7,303,350
Additions during the year	8,043,350	—
Deductions during the year	13,203,350	2,143,350
Closing balance	—	5,160,000
V. Capital reserve		
Opening balance	4,850,000	4,650,000
Additions during the year	680,000	200,000
Deductions during the year	—	—
Closing balance	5,530,000	4,850,000
VI. Foreign currency translation reserve	3,955	—
VII. Reserve fund	222	—
VIII. Revenue and other reserves		
Opening balance	39,780,074	31,636,724
Additions during the year	13,203,350	8,143,350
Deductions during the year	2,143,350	—
Closing balance	50,840,074	39,780,074
IX. Balance in profit and loss account	2,934,416	1,882,221
TOTAL RESERVES AND SURPLUS	**213,161,571**	*118,131,954*

1. Includes :-
   a) Rs. 48,940.0 million (net of share premium in arrears of Rs. 92.4 million (March 31, 2005: Rs. Nil) consequent to public issue vide prospectus dated December 8, 2005.
   b) Rs. 22,134.6 million consequent to issue of ADS vide prospectus dated December 6, 2005.
   c) Rs. 7,357.1 million on the exercise of the green shoe option vide prospectus dated December 8, 2005.
   d) Rs. 725.6 million (March 31, 2005: Rs. 602.5 million) on exercise of employee stock options.
2. Represents share issue expenses amounting to Rs. 874.1 million, written-off from the share premium account as per the objects of the issue.

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

	As on 31.03.2006	*As on 31.03.2005*
SCHEDULE 3 – DEPOSITS		
A. I. Demand deposits		
i) From banks	**4,223,967**	*1,976,547*
ii) From others	**161,510,846**	*126,392,471*
II. Savings bank deposits	**209,369,834**	*113,918,205*
III. Term deposits		
i) From banks	**107,080,416**	*64,467,974*
ii) From others	**1,168,646,650**	*691,432,578*
TOTAL DEPOSITS	**1,650,831,713**	*998,187,775*
B. I. Deposits of branches in India	**1,565,128,392**	*963,791,353*
II. Deposits of branches outside India	**85,703,321**	*34,396,422*
TOTAL DEPOSITS	**1,650,831,713**	*998,187,775*

	As on 31.03.2006	*As on 31.03.2005*
SCHEDULE 4 – BORROWINGS		
I. Borrowings in India		
i) Reserve Bank of India	**—**	*—*
ii) Other banks	**39,370,169**	*20,779,268*
iii) Other institutions and agencies		
a) Government of India	**2,813,561**	*3,612,510*
b) Financial institutions	**34,372,429**	*45,185,692*
iv) Borrowings in the form of		
a) Deposits taken over from erstwhile ICICI Limited	**1,388,454**	*2,070,517*
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 1 to 30 years from the date of placement	**16,179,466**	*30,948,127*
Bonds issued under multiple option/safety bonds series		
— Regular interest bonds	**8,556,640**	*9,933,481*
— Deep discount bonds	**4,257,163**	*4,039,128*
— Bonds with premium warrants	**928,721**	*797,947*
— Encash bonds	**679,210**	*1,170,280*
— Tax saving bonds	**46,187,337**	*59,167,873*
— Pension bonds	**61,052**	*59,351*
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.19,542.5 million at March 31, 2006)	**23,820,581**	*24,949,331*
ii) From international banks, institutions and consortiums	**123,776,548**	*80,041,728*
iii) By way of bonds and notes	**68,012,805**	*31,713,869*
TOTAL BORROWINGS	**385,219,136**	*335,444,960*

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

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

	As on 31.03.2006	*As on 31.03.2005*
SCHEDULE 5 – OTHER LIABILITIES AND PROVISIONS		
I. Bills payable	**33,271,959**	*27,944,845*
II. Inter-office adjustments (net)	**3,496,486**	*5,614,186*
III. Interest accrued	**13,846,487**	*13,116,497*
IV. Unsecured redeemable debentures/bonds [Subordinated debt included in Tier II Capital]	**101,443,755**	*82,088,996*
V. Others		
a) Security deposits from clients	**7,709,786**	*12,030,416*
b) Sundry creditors	**58,083,459**	*42,262,101*
c) Received for disbursements under special program	**3,007,090**	*2,932,942*
d) Provision for standard assets	**5,638,250**	*2,248,050*
e) Other liabilities [1]	**25,781,505**	*25,723,573*
TOTAL OTHER LIABILITIES AND PROVISIONS	**252,278,777**	*213,961,606*

1. Includes :-
   a) Proposed dividend of Rs. 7,563.5 million [March 31, 2005: Rs. 6,262.1 million].
   b) Corporate dividend tax payable of Rs. 1,060.8 [March 31, 2005: Rs. 878.3 million].

	As on 31.03.2006	*As on 31.03.2005*
SCHEDULE 6 – CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand (including foreign currency notes)	**12,088,189**	*5,544,811*
II. Balances with Reserve Bank of India in current accounts	**77,255,548**	*57,904,193*
TOTAL CASH AND BALANCES WITH RESERVES BANK OF INDIA	**89,343,737**	*63,449,004*
SCHEDULE 7 – BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
i) Balances with banks		
a) in current accounts	**4,402,861**	*5,228,934*
b) in other deposit accounts	**6,185,632**	*7,061,268*
ii) Money at call and short notice		
a) with banks	**6,500,000**	*16,100,000*
b) with other institutions	**3,000**	*1,900,000*
TOTAL	**17,091,493**	*30,290,202*
II. Outside India		
i) in current accounts	**7,318,874**	*7,324,711*
ii) in other deposit accounts	**48,614,939**	*16,659,195*
iii) money at call and short notice	**8,033,202**	*11,576,611*
TOTAL	**63,967,015**	*35,560,517*
TOTAL BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE	**81,058,508**	*65,850,719*

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

	As on 31.03.2006	*As on 31.03.2005*
SCHEDULE 8 – INVESTMENTS [net of provisions]		
I. Investments in India		
i) Government securities	**510,744,392**	*344,516,800*
ii) Other approved securities	**601**	*301,154*
iii) Shares (includes equity and preference shares)	**20,578,522**	*19,147,771*
iv) Debentures and bonds	**18,040,317**	*28,540,305*
v) Subsidiaries and/or joint ventures	**16,691,698**	*12,848,124*
vi) Others (commercial paper, mutual fund units, pass through certificates, security receipts etc.)	**104,308,855**	*84,404,072*
TOTAL	**670,364,385**	*489,758,226*
II. Investments outside India		
i) Government securities	**1,342,384**	*377,947*
ii) Subsidiaries and/or joint ventures abroad (includes equity and preference shares)	**11,915,291**	*7,818,846*
iii) Others	**31,851,884**	*6,918,506*
TOTAL	**45,109,559**	*15,115,299*
TOTAL INVESTMENTS	**715,473,944**	*504,873,525*
SCHEDULE 9 – ADVANCES [net of provisions]		
A. i) Bills purchased and discounted	**63,065,998**	*43,984,209*
ii) Cash credits, overdrafts and loans repayable on demand	**249,328,298**	*123,344,410*
iii) Term loans	**1,117,904,639**	*722,588,931*
iv) Securitisation, finance lease and hire purchase receivables [1]	**31,332,154**	*24,133,967*
TOTAL	**1,461,631,089**	*914,051,517*
B. i) Secured by tangible assets [includes advances against book debt] [2]	**1,199,732,405**	*778,517,712*
ii) Covered by Bank/Government Guarantees	**13,508,731**	*10,104,623*
iii) Unsecured	**248,389,953**	*125,429,182*
TOTAL	**1,461,631,089**	*914,051,517*
C. I. Advances in India		
i) Priority Sector	**426,756,181**	*200,892,904*
ii) Public Sector	**11,572,043**	*11,154,310*
iii) Banks	**48,863**	*4,517,162*
iv) Others	**898,014,748**	*635,303,209*
TOTAL	**1,336,391,835**	*851,867,585*
II. Advances outside India		
i) Due from banks	**18,559,863**	*10,375,851*
ii) Due from others		
a) Bills purchased and discounted	**43,769,271**	*24,736,630*
b) Syndicated loans	**29,704,361**	*11,925,394*
c) Others	**33,205,759**	*15,146,057*
TOTAL	**125,239,254**	*62,183,932*
TOTAL ADVANCES	**1,461,631,089**	*914,051,517*

1. Includes receivables under lease amounting to Rs. 695.1 million (March 31, 2005 : Rs. 913.6 million).
2. Includes a loan of Rs. 16,028.7 million (March 31, 2005 : Rs. Nil) for which security is being created.

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

	As on 31.03.2006	As on 31.03.2005
SCHEDULE 10 – FIXED ASSETS		
I. Premises		
At cost as on March 31 of preceding year	**18,829,741**	*16,668,982*
Additions during the year	**1,454,189**	*2,254,384*
Deductions during the year	**(84,491)**	*(93,625)*
Depreciation to date	**(2,029,015)**	*(1,516,102)*
Net block	**18,170,424**	*17,313,639*
II. Other fixed assets (including furniture and fixtures)		
At cost as on March 31 of preceding year	**16,303,939**	*13,587,781*
Additions during the year	**4,361,180**	*2,826,608*
Deductions during the year	**(133,227)**	*(110,450)*
Depreciation to date	**(10,633,404)**	*(7,765,842)*
Net block	**9,898,488**	*8,538,097*
III. Assets given on lease		
At cost as on March 31 of preceding year	**20,122,827**	*20,645,237*
Additions during the year	**544**	*2,838*
Deductions during the year	**(1,169,048)**	*(525,248)*
Depreciation to date, accumulated lease adjustment and provisions	**(7,216,120)**	*(5,594,202)*
Net block	**11,738,203**	*14,528,625*
TOTAL FIXED ASSETS	**39,807,115**	*40,380,361*
SCHEDULE 11 – OTHER ASSETS		
I. Inter-office adjustments (net)	**—**	*—*
II. Interest accrued	**21,543,081**	*13,124,389*
III. Tax paid in advance/tax deducted at source (net)	**28,220,490**	*26,643,957*
IV. Stationery and stamps	**1,663**	*3,609*
V. Non-banking assets acquired in satisfaction of claims [1]	**3,627,879**	*3,677,234*
VI. Others		
a) Advance for capital assets	**1,479,423**	*963,017*
b) Outstanding fees and other Income	**3,676,895**	*2,792,942*
c) Exchange fluctuation suspense with Government of India	**24,966**	*244,749*
d) Swap suspense	**71,587**	*794,710*
e) Deposits	**25,766,974**	*15,003,770*
f) Deferred tax asset (net)	**1,642,837**	*148,666*
g) Early retirement option expenses not written off	**885,979**	*1,269,979*
h) Others	**39,633,375**	*23,321,905*
TOTAL OTHER ASSETS	**126,575,149**	*87,988,927*

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

	As on 31.03.2006	As on 31.03.2005
SCHEDULE 12 – CONTINGENT LIABILITIES		
I. Claims against the Bank not acknowledged as debts	**29,777,239**	*27,464,523*
II. Liability for partly paid investments	**168,472**	*168,396*
III. Liability on account of outstanding forward exchange contracts	**918,314,985**	*714,848,723*
IV. Guarantees given on behalf of constituents		
a) In India	**170,909,502**	*140,444,828*
b) Outside India	**20,118,115**	*15,968,174*
V. Acceptances, endorsements and other obligations	**106,867,498**	*74,115,736*
VI. Currency swaps	**172,422,863**	*112,957,025*
VII. Interest rate swaps, currency options and interest rate futures	**2,471,920,061**	*1,519,218,305*
VIII. Other items for which the Bank is contingently liable	**59,837,920**	*76,351,672*
TOTAL CONTINGENT LIABILITIES	**3,950,336,655**	*2,681,537,382*

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

	Year ended 31.03.2006	Year ended 31.03.2005
SCHEDULE 13 – INTEREST EARNED		
I. Interest/discount on advances/bills	**96,849,551**	*67,528,301*
II. Income on investments	**36,927,577**	*22,294,366*
III. Interest on balances with Reserve Bank of India and other inter-bank funds	**3,354,647**	*2,320,089*
IV. Others [1]	**713,183**	*1,956,188*
TOTAL INTEREST EARNED	**137,844,958**	*94,098,944*

1. Includes interest on income tax refunds of Rs. 399.8 million (March 31, 2005: Rs. 247.3 million).

	Year ended 31.03.2006	Year ended 31.03.2005
SCHEDULE 14 – OTHER INCOME		
I. Commission, exchange and brokerage	**30,019,493**	*19,210,001*
II. Profit/(loss) on sale of investments (net)	**7,497,522**	*5,461,352*
III. Profit/(loss) on revaluation of investments (net)	**(534,825)**	*(907)*
IV. Profit/(loss) on sale of land, buildings and other assets (net) [1]	**71,222**	*(20,822)*
V. Profit/(loss) on foreign exchange transactions (net)	**4,730,846**	*3,146,394*
VI. Income earned by way of dividends, etc. from subsidiary companies and/or joint ventures abroad/in India	**3,386,929**	*1,880,786*
VII. Miscellaneous income (including lease income)	**4,660,207**	*4,484,635*
TOTAL OTHER INCOME	**49,831,394**	*34,161,439*

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

	Year ended 31.03.2006	Year ended 31.03.2005
SCHEDULE 15 – INTEREST EXPENDED		
I. Interest on deposits	**58,366,832**	*32,520,688*
II. Interest on Reserve Bank of India/inter-bank borrowings [1]	**9,254,169**	*2,527,689*
III. Others (including interest on borrowings of erstwhile ICICI Limited)	**28,353,482**	*30,660,499*
TOTAL INTEREST EXPENDED	**95,974,483**	*65,708,876*

1. Includes interest paid on inter-bank deposits.

	Year ended 31.03.2006	Year ended 31.03.2005
SCHEDULE 16 – OPERATING EXPENSES		
I. Payments to and provisions for employees	**10,822,935**	*7,374,121*
II. Rent, taxes and lighting	**2,348,028**	*1,853,347*
III. Printing and stationery	**1,110,432**	*876,632*
IV. Advertisement and publicity	**1,855,514**	*1,162,555*
V. Depreciation on Bank's property (including non-banking assets)	**3,471,658**	*2,933,725*
VI. Depreciation (including lease equalisation) on leased assets	**2,766,260**	*2,969,907*
VII. Directors' fees, allowances and expenses	**3,237**	*3,872*
VIII. Auditors' fees and expenses	**18,456**	*17,632*
IX. Law charges	**112,356**	*97,141*
X. Postages, telegrams, telephones, etc.	**2,157,585**	*1,736,270*
XI. Repairs and maintenance	**2,580,722**	*2,159,454*
XII. Insurance	**1,080,254**	*597,230*
XIII. Direct marketing agency expenses	**6,554,240**	*4,854,521*
XIV. Other expenditure	**9,913,493**	*6,355,068*
TOTAL OPERATING EXPENSES	**44,795,170**	*32,991,475*

	Year ended 31.03.2006	Year ended 31.03.2005
SCHEDULE 17 – PROVISIONS AND CONTINGENCIES		
I. Income Tax		
– Current period tax	**6,618,650**	*1,764,935*
– Deferred tax adjustment	**(1,346,853)**	*3,425,081*
– Fringe benefit tax	**263,532**	—
II. Wealth tax	**30,000**	*30,000*
III. Provision for investments (including credit substitutes) (net)	**7,766,578**	*5,415,587*
IV. Provision for advances (net) [1]	**7,947,244**	*(1,213,571)*
V. Others	**226,801**	*85,984*
TOTAL PROVISIONS AND CONTINGENCIES	**21,505,952**	*9,508,016*

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

SCHEDULE 18

Significant accounting policies and notes to accounts

OVERVIEW

ICICI Bank Limited ("ICICI Bank" or "the Bank"), incorporated in Vadodara, India is a publicly held banking company 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 prevalent 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 ended March 31, 2006, the Bank raised equity capital amounting to Rs. 80,006.1 million. The expenses of the issue amounting to Rs. 874.1 million have been charged to the share premium account. The details of the equity capital raised are given in the table below.

Rupees in million except per share data

Details	No. of equity shares	Amount of share premium	Aggregate proceeds
Fully paid equity shares of Rs. 10 each at a premium of Rs. 515 per share	67,787,322	34,910.5	35,588.3
Fully paid equity shares of Rs. 10 each at a premium of Rs. 488.75 per share[1]	28,894,060	14,122.0	14,410.9
18,618,730 American Depository Share ("ADS") at aprice of US$ 26.75 per share [2]	37,237,460	22,134.6	22,506.9
Fully paid equity shares of Rs. 10 each issued by exercise of the green shoe option	14,285,714	7,357.1	7,500.0
Total	148,204,556	78,524.2	80,006.1

1. Unpaid calls of Rs. 0.3 million (Unpaid share premium Rs. 92.4 million).
2. Includes green shoe option of 2,428,530 ADSs.

The Bank had also 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 were charged to the share premium account.

ICICI Bank had sponsored an 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). Pursuant to this offering existing outstanding equity shares were exchanged for newly issued ADSs and accordingly the offering did not result in an increase in share capital of the Bank.

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 ("NPAs") where it is recognised, upon realisation, as per the prudential norms of RBI.

b) Commissions paid to Direct Marketing Agents ("DMAs") for auto loans are 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 implicit interest rate 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 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.

forming part of the Accounts *(Contd.)*

g) All other fee income is recognised upfront on its becoming due.

h) Net income arising from sell-down of loan assets is recognised upfront in interest income. With effect from February 1, 2006, net income arising from securitisation of loan assets is amortised over the life of securities issued or to be issued by the special purpose vehicle/special purpose entity to which the assets are sold.

i) 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 given below.

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

The market/fair value of unquoted SLR securities included in the 'Available for Sale' and 'Held for 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 computed 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, if any, in each basket, being unrealised, is ignored, while net depreciation is provided for.

d) Costs including brokerage and commission pertaining to investments, paid at the time of acquisition, are charged to the profit and loss account.

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 profit and loss 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.

i) The Bank follows trade date method for accounting of its investments.

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 for sub-standard and doubtful assets at rates for prescribed by RBI. Loss assets and unsecured portion of doubtful assets are provided/written off as per the extant RBI guidelines. The Bank also makes additional floating provision against non-performing retail loans and additional provision against specific corporate NPAs.

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 loan accounts classified as NPAs (other than those subjected to restructuring), 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, the account is upgraded to standard only after the specified period i.e., a period of one year after the date when first payment of interest or of principal, whichever is earlier, falls due, subject to satisfactory performance during the period.

d) 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.

e) In addition to the specific provision on NPAs, the Bank maintains a general provision on performing loans. The general provision covers the requirements of the RBI guidelines.

f) 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.

During the year RBI has issued guidelines on accounting for securitisation of standard assets. In accordance with these guidelines, with effect from February 1, 2006, the Bank accounts for any loss arising on sale immediately at the time of sale and the profit/premium arising on account of sale is amortised over the life of the securities issued or to be issued by the special purpose vehicle/special purpose entity to which the assets are sold.

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 given below.

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.	10.00%
Computers	33.33%
EDC Terminals	16.67%
Furniture and fixtures	15.00%
Motor vehicles	20.00%
Others (including Software and system development expenses)	25.00%

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 offshore 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 from 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 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 a graded manner. The options may be exercised within a specified period. The Bank follows the intrinsic value method as prescribed by the guidance note on "Accounting for Stock Options" issued by the Institute of Chartered Accountants of India ("ICAI") to account for its stock-based employees compensation plans. Compensation cost measured by the excess, if any, of the fair market price of the underlying stock over the exercise price. The grant price of the Bank's stock option is the last closing price on the stock exchange on the day preceding the date of grant of stock options and accordingly there is no compensation cost under the intrinsic value method.

9. Staff retirement benefits

ICICI Bank is required to pay gratuity to employees who retire or resign after at least five years of continuous service. ICICI Bank makes contributions to three separate gratuity funds, for employees inducted from erstwhile ICICI, employees inducted from erstwhile Bank of Madura and employees of ICICI Bank other than employees inducted from erstwhile ICICI and erstwhile Bank of Madura.

The gratuity funds for employees inducted from erstwhile ICICI and erstwhile Bank of Madura are separate gratuity funds managed by ICICI Prudential Life Insurance Company. Actuarial valuation of the gratuity liability is determined by an actuary appointed by ICICI Prudential Life Insurance Company. The investments of the funds are made according to rules prescribed by the Government of India. The accounts of the funds are audited by independent auditors.

The gratuity fund for employees of ICICI Bank other than employees inducted from erstwhile ICICI and erstwhile Bank of Madura is administered by the Life Insurance Corporation of India. In accordance with the gratuity fund's rules, actuarial valuation of gratuity liability is calculated based on certain assumptions regarding rate of interest, salary growth, mortality and staff turnover.

ICICI Bank contributes 15% of the total annual salary of each employee to a superannuation fund for ICICI Bank employees. ICICI Bank's employees get an option on retirement or resignation to receive one-third of the total balance and a monthly pension based on the remaining two-third balance. In the event of death of an employee, his or her beneficiary receives the remaining accumulated balance of 66.7%. ICICI Bank also gives a cash option to its employees, allowing them to receive the amount contributed by ICICI Bank in their monthly salary during their employment.

Till March 31, 2005, the superannuation fund was administered solely by the Life Insurance Corporation of India. Subsequent to March 31, 2005, the fund is being administered by both Life Insurance Corporation of India and ICICI Prudential Life Insurance Company Limited. Employees have the option to retain the existing balance with Life Insurance Corporation of India or seek a transfer to ICICI Prudential Insurance Company.

ICICI Bank is statutorily required to maintain a provident fund as a part of its retirement benefits to its employees. There are separate provident funds for employees inducted from erstwhile Bank of Madura (other than those employees who have opted for pensions), and for other employees of ICICI Bank. These funds are managed by in-house trustees. Each employee contributes 12.0% of his or her basic salary (10.0% for clerks and sub-staff of erstwhile Bank of Madura) and ICICI Bank contributes an equal amount to the funds. The investments of the funds are made according to rules prescribed by the Government of India. The accounts of the funds are audited by independent auditors.

10. Income taxes

Income tax expense is the aggregate amount of current tax, deferred tax and fringe benefit 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 on a prudent basis for the future tax consequences of timing differences arising between the carrying values of assets and liabilities and their respective tax basis, and carry forward losses. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantially enacted prior to the balance sheet date. The impact of changes in the deferred tax assets and liabilities is 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 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 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 recognised is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

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 financial statements.

13. Earnings Per Share ("EPS")

Basic and diluted earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. 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

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

1. Capital adequacy ratio

The capital to risk weighted assets ratio ("CRAR") as assessed by the Bank on the basis of the financial statements and guidelines issued by RBI is given in the table below.

Rupees in million

	As on March 31, 2006	*As on March 31, 2005*
Tier I capital	**191,815.3**	*102,463.2*
Tier II capital	**86,610.9**	*56,566.1*
Total capital	**278,426.2**	*159,029.3*
Total risk weighted assets	**2,085,935.9**	*1,350,168.1*
CRAR (%)	**13.35%**	*11.78%*
CRAR – Tier I capital (%)	**9.20%**	*7.59%*
CRAR – Tier II capital (%)	**4.15%**	*4.19%*
Amount of subordinated debt raised as Tier II capital during the year	**39,730.0**	*4,500.0*

2. Business/information ratios

The business/information ratios for the year ended March 31, 2006, and March 31, 2005 are given in the table below.

	Year ended March 31, 2006	*Year ended March 31, 2005*
i) Interest income to working funds[1]	**7.03%**	*6.94%*
ii) Non-interest income to working funds[1]	**2.54%**	*2.52%*
iii) Operating profit to working funds[1]	**2.39%**	*2.18%*
iv) Return on assets[2]	**1.30%**	*1.48%*
v) Profit per employee (Rs. in million)	**1.0**	*1.1*

1. For the purpose of computing the ratios, working funds represent the average of total assets as reported to RBI under Section 27 of the Banking Regulation Act, 1949.
2. For the purpose of computing the ratio, assets represent average total assets as reported to RBI in Form X under Section 27 of the Banking Regulation Act, 1949.

Rupees in million

	As on March 31, 2006	*As on March 31, 2005*
vi) Business per employee (average deposits plus average advances)	**90.5**	*88.0*

3. Information about business and geographical segments

- **Consumer and Commercial Banking** comprising the retail and corporate banking operations of the Bank.
- **Investment Banking** comprising the treasury activities of the Bank.

forming part of the Accounts *(Contd.)*

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, 2006 and March 31, 2005 and segmental profit and loss account for the year ended March 31, 2006 and for the year ended March 31, 2005 have been prepared.

Rupees in million

	Particulars	Consumer and commercial banking		Investment banking		Total	
		For the year ended 31.03.06	*For the year ended 31.03.05*	**For the year ended 31.03.06**	*For the year ended 31.03.05*	**For the year ended 31.03.06**	*For the year ended 31.03.05*
1.	Revenue	**148,868.9**	*106,436.9*	**49,725.0**	*30,926.2*	**198,593.9**	*137,363.1*
2.	Less: Inter-segment revenue					**(10,917.6)**	*(9,102.7)*
3.	Total revenue (1)–(2)					**187,676.3**	*128,260.4*
4.	Operating profit (i.e. Profit before unallocated expenses, and tax)	**33,870.5**	*19,760.7*	**13,420.2**	*10,183.3*	**47,290.7**	*29,944.0*
5.	Unallocated expenses					**384.0**	*384.0*
6.	Provisions (net)	**7,320.2**	*814.1*	**8,620.5**	*3,473.9*	**15,940.7**	*4,288.0*
7.	Profit before tax	**26,550.3**	*18,946.6*	**4,799.7**	*6,709.4*	**30,966.0**	*25,272.0*
8.	Income tax expenses (net of deferred tax credit)					**5,565.3**	*5,220.0*
9.	Net profit (7)-(8)					**25,400.7**	*20,052.0*
10.	Segment assets	**1,643,838.9**	*1,051,486.3*	**839,301.3**	*597,045.1*	**2,483,140.2**	*1,648,531.4*
11.	Unallocated assets					**30,749.3**	*28,062.7*
12.	Total assets (10)+(11)					**2,513,889.5**	*1,676,594.1*
13.	Segment liabilities	**1,923,206.7**	*1,291,932.4*	**590,682.8**	*384,661.7*	**2,513,889.5**	*1,676,594.1*
14.	Unallocated liabilities					**—**	*—*
15.	Total liabilities (13)+(14)					**2,513,889.5**	*1,676,594.1*

Geographical segments

The Bank reports its operations under the following geographical segments.

- **Domestic Operations** comprises branches having operations in India.
- **Foreign Operations** comprises branches having operations outside India and offshore banking unit having operations in India.

Based on above segments the assets and revenue of the Bank for the year ended March 31, 2006 have been prepared.

Rupees in million

Sr. No	Particulars	Domestic Operations	Foreign Operations	Total
1.	Revenue	178,131.7	9,544.7	187,676.4
2.	Assets	2,295,744.9	218,144.6	2,513,889.5

Hitherto the business operations of the Bank were largely concentrated in India. The assets and income from foreign operations were not significant to the overall operations of the Bank and have accordingly not been disclosed for earlier comparative year.

4. Earnings Per Share

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

	Year ended March 31, 2006	*Year ended March 31, 2005*
Basic		
Weighted average no. of equity shares outstanding	**781,693,773**	*727,728,042*
Net profit	**25,400.7**	*20,052.0*
Basic earnings per share (Rs.)	**32.49**	*27.55*
Diluted		
Weighted average no. of equity shares outstanding	**789,963,635**	*733,720,485*
Net profit	**25,400.7**	*20,052.0*
Diluted earnings per share (Rs.)	**32.15**	*27.33*
Nominal value per share (Rs.)	**10.00**	*10.00*

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

5. **Maturity pattern**

- In compiling the information of maturity pattern (refer 5. (a) and (b) below), certain estimates and assumptions have been made by the management.
- Assets and liabilities in foreign currency exclude off-balance sheet assets and liabilities.

a) The maturity pattern of assets and liabilities of the Bank as on March 31, 2006 is given below.

Rupees in million

Maturity buckets	Loans & advances[1]	Investment securities[1]	Deposits[1]	Borrowings[1]	Total Foreign currency assets	Total Foreign currency liabilities
1 to 14 days	75,450.2	103,983.4	149,071.4	31,237.0	41,679.5	37,847.1
15 to 28 days	8,865.2	44,993.6	69,193.3	10,049.4	11,454.3	18,646.8
29 days to 3 months	75,231.3	81,976.1	255,473.5	53,804.3	37,365.6	59,270.5
3 to 6 months	89,859.5	64,510.5	231,693.4	46,661.4	32,628.1	28,415.9
6 months to 1 year	145,066.0	93,267.8	388,402.8	53,160.2	29,919.0	57,175.5
1 to 3 years	591,575.5	142,607.5	520,604.7	72,646.8	37,734.5	43,054.4
3 to 5 years	165,878.4	41,030.3	14,002.1	94,981.8	41,477.4	67,547.5
Above 5 years	309,705.0	143,104.7	22,390.5	22,678.2	49,596.3	12,765.4
Total	1,461,631.1	715,473.9	1,650,831.7	385,219.1	281,854.7	324,723.1

1. Includes foreign currency balances.

b) The maturity pattern of assets and liabilities of the Bank as on March 31, 2005 is given below.

Rupees in million

Maturity buckets	Loans & advances[1]	Investment securities[1]	Deposits[1]	Borrowings[1]	Total Foreign currency assets	Total Foreign currency liabilities
1 to 14 days	60,518.3	76,283.4	54,262.2	4,008.0	22,857.4	9,193.8
15 to 28 days	8,069.1	20,403.1	32,683.8	12,311.5	6,607.9	12,023.6
29 days to 3 months	65,709.7	48,751.0	132,970.0	31,264.5	31,162.4	31,853.9
3 to 6 months	50,320.5	47,302.7	159,242.9	32,491.4	17,851.7	18,568.2
6 months to 1 year	84,088.2	60,431.9	195,407.5	56,986.8	13,830.7	29,450.2
1 to 3 years	294,282.1	113,986.8	398,826.7	111,143.4	30,191.2	30,242.4
3 to 5 years	94,524.5	27,618.4	15,087.5	53,323.6	19,326.3	40,075.9
Above 5 years	256,539.1	110,096.2	9,707.2	33,915.8	28,915.1	16,229.0
Total	914,051.5	504,873.5	998,187.8	335,445.0	170,742.7	187,637.0

1. Includes foreign currency balances.

6. Related party transactions

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

Insurance services

During the year ended March 31, 2006, the Bank paid insurance premium to insurance joint ventures amounting to Rs. 829.6 million (March 31, 2005: Rs. 315.4 million). During the year ended March 31, 2006 the Bank received claims from insurance joint ventures amounting to Rs. 16.8 million (March 31, 2005: Rs. 8.4 million).

Fees and commission

During the year ended March 31, 2006, the Bank received fees from its subsidiaries and joint ventures amounting to Rs. 2,280.5 million (March 31, 2005: Rs. 279.8 million) and commission of Rs. 9.9 million (March 31, 2005: Rs. 5.3 million) on account of guarantees and letters of credit issued for subsidiaries.

Lease of premises and facilities

During the year ended March 31, 2006, the Bank charged an aggregate amount of Rs. 443.7 million (March 31, 2005: Rs. 432.8 million) for lease of premises, facilities and other administrative costs to subsidiaries and joint ventures.

Sale/Purchase of housing loan portfolio

During the year ended March 31, 2006, the Bank sold housing loan portfolio to its subsidiary amounting to Rs. 37,711.0 million (March 31, 2005: Rs. 3,059.7 million). During the year ended March 31, 2006, the Bank purchased housing portfolio from its subsidiary amounting to Rs. 18,307.7 million (March 31, 2005: Rs. Nil).

Secondment of employees

During the year ended March 31, 2006, the Bank received Rs. 3.0 million (March 31, 2005: Rs. 8.4 million) from subsidiaries and joint ventures for secondment of employees.

Purchase of investments

During the year ended March 31, 2006, the Bank purchased certain investments from its subsidiaries and joint ventures amounting to Rs. 15,255.5 million (March 31, 2005: Rs. 32,440.1 million) and from its associates amounting to Rs. Nil (March 31, 2005: Rs. 820.0 million).

Sale of investments

During the year ended March 31, 2006, the Bank sold certain investments to its subsidiaries and joint ventures amounting to Rs. 6,757.7 million (March 31, 2005: Rs. 22,668.5 million) and to its associates amounting to Rs. 1,545.0 million (March 31, 2005: Rs. Nil). On the sales made to subsidiaries and joint ventures, the Bank accounted for a gain of Rs. 16.7 million (March 31, 2005: Loss of Rs. 12.4 million) and on the sale made to associates, the Bank accounted for a gain of Rs. 10.1 million (March 31, 2005: Rs. Nil).

Redemption/Buyback and Conversion of investments

During the year ended March 31, 2006, certain investments in subsidiaries and joint ventures in preference shares were converted to equity shares amounting to Rs. Nil (March 31, 2005: Rs. 250.0 million). Consideration of Rs. 1,078.9 million (March 31, 2005: Rs. 106.9 million) was received on account of buyback/capital reduction of equity shares by subsidiaries and a gain amounting to Rs. 620.6 million (March 31, 2005: Rs. 67.4 million) was accounted in the books. Units in associates amounting to Rs. 1,162.3 million (March 31, 2005: Rs. 2,362.8 million) were redeemed during the year and a gain of Rs. Nil (March 31, 2005: Rs. 19.8 million) was accounted on redemption.

Reimbursement of expenses

During the year ended March 31, 2006, the Bank reimbursed expenses to its subsidiaries amounting to Rs. 3,397.8 million (March 31, 2005: Rs. 2,596.0 million).

Brokerage paid

During the year ended March 31, 2006, the Bank paid brokerage to its subsidiary amounting to Rs. 13.6 million (March 31, 2005: Rs. 9.1 million).

Custodial charges received

During the year ended March 31, 2006, the Bank received custodial charges from its subsidiaries and joint ventures amounting to Rs. 15.8 million (March 31, 2005: Rs. 5.7 million) and associates amounting to Rs. 5.4 million (March 31, 2005: Rs. 2.2 million).

Interest paid

During the year ended March 31, 2006, the Bank paid interest to its subsidiaries and joint ventures amounting to Rs. 384.2 million (March 31, 2005: Rs. 255.7 million) and to its associates amounting to Rs. Nil (March 31, 2005: Rs. 1.1 million).

Interest received

During the year ended March 31, 2006, the Bank received interest from its subsidiaries and joint ventures amounting to Rs. 613.6 million (March 31, 2005: Rs. 376.7 million) and from its key management personnel[1] Rs. 0.5 million (March 31, 2005: Rs. 0.3 million).

Other Income

During the year ended March 31, 2006, the Bank has accounted gain/loss on derivative transactions entered into with subsidiaries and joint ventures amounting to Rs. 245.3 million (March 31, 2005: Gain of Rs. 462.3 million).

Dividend received

During the year ended March 31, 2006, the Bank received dividend from its subsidiaries and joint ventures amounting to Rs. 1,635.6 million (March 31, 2005: Rs. 714.5 million) and from its associates amounting to Rs. 1,808.2 million (March 31, 2005: Rs. 1,221.8 million).

Dividend paid

During the year ended March 31, 2006, the Bank paid dividend to its key management personnel[1] amounting to Rs. 3.2 million (March 31, 2005: Rs. 1.6 million).

Remuneration to whole-time directors

Remuneration paid to the whole-time directors of the Bank during the year ended March 31, 2006 was Rs. 75.9 million (March 31, 2005: Rs. 60.5 million).

Letter of Comfort

The Bank has issued letters of comfort on behalf of its foreign subsidiaries namely, ICICI Bank UK Limited and ICICI Bank Canada Limited. The details of the same are given in the table below.

On behalf of	To	Purpose
ICICI Bank UK Limited	Financial Services Authority, UK ("FSA")	To financially support ICICI Bank UK Limited to ensure that it meets all of its financial obligations as they fall due.
ICICI Bank Canada	Office of the Superintendent of Financial Institutions, Canada ("OSFI")	To infuse additional capital should ICICI Bank Canada's capital fall below the minimum requirement and provide ICICI Bank Canada ongoing financial, managerial and operational support.
ICICI Bank Canada	Canada Deposit Insurance Corporation ("CDIC")	To comply with the Bank Act and the CDIC regulations or by-laws there under and to indemnify CDIC against all losses, damages, reasonable costs and expenses arising from failure of ICICI Bank Canada in performing the same.

Related party balances

The balances payable to/ receivable from subsidiaries/ joint ventures/ associates/ key management personnel included in the balance sheet as on March 31, 2006 are given below.

Rupees in million

Items	Subsidiaries/ Joint ventures	Associates	Key Management Personnel[1]	Total
Deposits with ICICI Bank	8,734.8	274.9	25.0	9.034.7
Deposits of ICICI Bank[2]	11,339.7	—	—	11,339.7
Call/ Term money borrowed	—	—	—	—
Advances	1,631.9	—	15.4	1,647.3
Investments of ICICI Bank	29,263.2	14,228.5	—	43,491.7
Investments of related parties in ICICI Bank	447.5	—	4.3	451.8
Receivables	666.0	2.0	—	668.0
Payables	779.2	—	—	779.2
Repo	—	—	—	—
Reverse repo	—	—	—	—
Guarantees[3]	3,634.0	—	—	3,634.0
Letters of comfort[4]	30,059.6	—	—	30,059.6
Swaps/forward contracts	148,404.1	—	—	148,404.1
Participation certificate	2,320.0	—	—	2,320.0

1. Whole-time directors and relatives.
2. Includes call money lent.
3. Includes letter of undertaking.
4. Excludes letter of comfort issued on behalf of foreign subsidiaries, details of which are given separately.

forming part of the Accounts *(Contd.)*

The maximum balance payable to/ receivable from subsidiaries/ joint ventures/ associates/ key management personnel during the year ended March 31, 2006 is given below.

Rupees in million

Items	Subsidiaries/ Joint ventures	Associates	Key Management Personnel[1]	Total
Deposits with ICICI Bank	11,331.7	2,160.2	46.1	13,538.0
Deposits of ICICI Bank[2]	12,223.9	—	—	12,223.9
Call/ Term money borrowed	7,490.3	—	—	7,490.3
Advances	2,245.8	—	21.2	2,267.0
Investments of ICICI Bank	29,960.3	14,726.8	—	44,687.1
Investments of related parties in ICICI Bank	547.1	—	4.4	551.5
Receivables	798.4	4.1	—	802.5
Payables	3,060.0	0.5	—	3,060.5
Repo	400.3	—	—	400.3
Reverse repo	2,244.7	—	—	2,244.7
Guarantees[3]	5,196.3	—	—	5,196.3
Letters of comfort[4]	30,815.7	—	—	30,815.7
Swaps/forward contracts	207,739.7	—	—	207,739.7
Participation certificate	2,320.0	—	—	2,320.0

1. Whole-time directors and relatives.
2. Includes call money lent.
3. Includes letter of undertaking.
4. Excludes letter of comfort issued on behalf of foreign subsidiaries, details of which are given separately.

The balances payable to/ receivable from subsidiaries/ joint ventures/ associates/ key management personnel included in the balance sheet as on March 31, 2005 are given below.

Rupees in million

Items	Subsidiaries/ Joint ventures	Associates	Key Management Personnel[1]	Total
Deposits with ICICI Bank	6,593.6	0.3	37.1	6,631.0
Deposits of ICICI Bank[2]	9,798.9	—	—	9,798.9
Call/ Term 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
Repo	—	—	—	—
Reverse repo	2,244.7	—	—	2,244.7
Guarantees[3]	4,928.3	—	—	4,928.3
Letters of comfort[4]	21,318.3	—	—	21,318.3
Swaps/forward contracts	118,137.1	—	—	118,137.1
Participation certificate	896.6	—	—	896.6

1. Whole-time directors and relatives.
2. Includes call money lent.
3. Includes letter of undertaking.
4. Excludes letter of comfort issued on behalf of foreign subsidiaries, details of which are given separately.

The maximum balance payable to/ receivable from subsidiaries/ joint ventures/ associates/ key management personnel during the year ended March 31, 2005 is given below.

Rupees in million

Items	Subsidiaries/ Joint ventures	Associates	Key Management Personnel[1]	Total
Deposits with ICICI Bank	19,352.2	2,405.5	196.1	21,953.8
Deposits of ICICI Bank[2]	9,798.9	—	—	9,798.9
Call/ Term 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
Repo	128.8	—	—	128.8
Reverse repo	2,244.7	—	—	2,244.7
Guarantees[3]	4,928.3	—	—	4,928.3
Letters of comfort[4]	21,318.3	—	—	21,318.3
Swaps/forward contracts	230,905.2	—	—	230,905.2
Participation certificate	896.6	—	—	896.6

1. Whole-time directors and relatives.
2. Includes call money lent.
3. Includes letter of undertaking.
4. Excludes letter of comfort issued on behalf of foreign subsidiaries, details of which are given separately.

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 Distribution Finance Private Limited has merged with ICICI Home Finance Company Limited effective August 11, 2005), ICICI Lombard General Insurance Company Limited, Prudential ICICI Asset Management Company Limited, Prudential ICICI Trust Limited, ICICI Bank Eurasia Limited Liability Company and TSI Ventures (India) Private 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.

7. Securitisation

The Bank sells loans through securitisation and direct assignment. The information on securitisation activity of the Bank as an originator for the year ended March 31, 2006 and March 31, 2005 is given in the table below.

Rupees in million

	Year ended March 31, 2006	*Year ended March 31, 2005*
Total number of loan assets securitised	**909,130**	*942,567*
Total book value of loan assets securitised	**94,856.2**	*160,071.2*
Sale consideration received for the securitised assets	**102,856.6**	*163,412.2*
Net gain on account of securitisation	**4,032.4**	*3,976.1*

forming part of the Accounts *(Contd.)*

The information on securitisation activity of the Bank as an originator as on March 31, 2006 and March 31, 2005 is given in the table below.

Rupees in million

	As on March 31, 2006	*As on March 31, 2005*
Outstanding credit enhancement	**16,369.2**	*7,234.3*
Outstanding liquidity facility	**2,640.4**	—
Outstanding servicing liability	**695.6**	*260.7*
Outstanding subordinate contributions	**8,369.8**	*17,712.7*

8. Employee Stock Option Scheme

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, 17,362,584 options (March 31, 2005: 18,215,335 options) granted to eligible employees were outstanding at March 31, 2006.

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

Stock option outstanding

	Year ended March 31, 2006	*Year ended March 31, 2005*
Outstanding at the beginning of the year	**18,215,335**	*15,964,982*
Add: Granted during the year	**4,981,780**	*7,554,500*
Less: Forfeited/lapsed during the year	**931,280**	*846,496*
Exercised during the year	**4,903,251**	*4,457,651*[1]
Outstanding at the end of the year	**17,362,584**	*18,215,335*

1. Excludes options exercised but not allotted.

9. Preference shares

Certain government securities amounting to Rs. 2,001.1 million (March 31, 2005: Rs. 1,952.3 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.

10. Transfer to Investment Fluctuation Reserve ("IFR")

An amount of Rs. 2,143.4 million being the excess balance in Investment Fluctuation Reserve (IFR) account over the regulatory requirement was transferred to general reserve account during the year ended March 31, 2005. RBI has subsequently instructed that this amount should be retained in IFR account itself. Accordingly, the said amount was transferred back to IFR account from the general reserve account in the first quarter of the year ended March 31, 2006, making IFR account balance Rs. 7,303.4 million.

RBI required banks to create IFR aggregating to 5% of their investments in fixed income securities (in AFS and Trading Book) over a five-year period starting from March 31, 2002. Accordingly a further amount of Rs. 5,900.0 million was transferred to IFR during the year ended March 31, 2006, making the IFR account balance Rs. 13,203.4 million. RBI has vide its circular DBOD.No. BP.BC. 38/21.04.141/2005-06 dated October 10, 2005 permitted banks that have maintained capital of at least 9% of the risk weighted assets for both credit risk and market risk for both held for trading and available for sale categories of investments as on March 31, 2006, to transfer the balance in the IFR 'below the line' in the Profit and Loss Appropriation Account to Statutory Reserve, General Reserve or balance of Profit & Loss Account.

Pursuant to the above, the entire IFR account balance of Rs. 13,203.4 million has been transferred from IFR to Revenue and other Reserves.

11. Subordinated debt

a) During the year ended March 31, 2006, the Bank raised subordinate debt amounting to Rs. 39,730.0 million through private placement of bonds. The details of these bonds are given below.

Rupees in million

Particulars	Date of Issue	Coupon Rate (%)	Tenure	Amount
Tranche 3 Option I	March 31, 2006	8.83% Annual	10 years and 15 days	2,500.0
Tranche 2 Option I	March 25, 2006	8.80% Annual	9 years 11 months and 19 days	20,000.0
Tranche 1 Option I	March 14, 2006	8.55% Annual	10 years and 1 month	2,500.0
Total				25,000.0

Rupees in million

Particulars	Date of Issue	Coupon Rate (%)	Tenure	Amount
Option I	February 14, 2006	8.15% Annual	10 years	1,190.0
Option II	February 14, 2006	8.25% Annual	15 years	370.0
Total				1,560.0

Rupees in million

Particulars	Date of Issue	Coupon Rate (%)	Tenure	Amount
Option II	December 30, 2005	7.60% (semi-annually)	10 years	1,010.0
Option III	December 30, 2005	7.75% (semi-annually)	12 years	1,020.0
Option IV	December 30, 2005	7.80% (semi-annually)	15 years	890.0
Total				2,920.0

Rupees in million

Particulars	Date of Issue	Coupon Rate (%)	Tenure	Amount
Option I	September 28, 2005	1 Yr INBMK [1] + 0.50% (To be reset semi-annually)	5 years and 7 months	2,250.0
Option II	September 28, 2005	7.50	10 years	2,750.0
Total				5,000.0

1 INBMK – Indian Benchmark

Rupees in million

Particulars	Date of Issue	Coupon Rate (%)	Tenure	Amount
Option I	June 29, 2005	1 Yr INBMK[1] + 0.50 % (To be reset semi- annually)	5 years and 10 months	1,100.0
Option II	June 29, 2005	7.25	5 years and 10 months	770.0
Option III	June 29, 2005	7.45	10 years	3,380.0
Total				5,250.0

1 INBMK – Indian Benchmark

b) During the year ended March 31, 2005, the Bank raised subordinate debt amounting to Rs. 4,500.0 million through private placement of bonds. The details of these bonds are given below.

Rupees in million

Particulars	Date of Issue	Coupon Rate (%)	Tenure	Amount
Option I	February 28, 2005	1 Yr INBMK[1] + 0.60% (To be reset semi- annually)	5 years and 3 months	2,650.0
Option II	February 28, 2005	7.00	5 years and 3 months	350.0
Option III	February 28, 2005	7.10	7 years and 3 months	550.0
Option IV	February 28, 2005	7.20	10 years and 3 months	950.0
Total				4,500.0

1. INBMK – Indian Benchmark

forming part of the Accounts *(Contd.)*

12. Investments

The details of investments and the movement of provisions held towards depreciation of investments of the Bank as on March 31, 2006 and March 31, 2005 is given below.

Rupees in million

Particulars	As on March 31, 2006	As on March 31, 2005
(1) Value of Investments		
(i) Gross value of investments		
(a) In India	**675,324.8**	*496,627.7*
(b) Outside India	**45,215.5**	*15,124.3*
(ii) Provisions for depreciation and fair value provision		
(a) In India	**4,960.5**	*6,869.5*
(b) Outside India	**105.9**	*9.0*
(iii) Net value of investments		
(a) In India	**670,364.3**	*489,758.2*
(b) Outside India	**45,109.6**	*15,115.3*
(2) Movement of provisions held towards depreciation on investments		
(i) Opening balance	**6,079.1**	*10,470.8*
(ii) Add: Provisions made during the year (including utilisation of fair value provision)	**692.3**	*(949.1)*
(iii) Less: Write-off/write-back of excess provisions during the year	**(1,705.0)**	*(3,442.6)*
(iv) Closing balance	**5,066.4**	*6,079.1*

13. Investments in equity shares and equity like instruments

The details of the investments made by the Bank in equity and equity like instruments is given below.

Rupees in million

	As on March 31, 2006	As on March 31, 2005
Equity shares[1]	**14,453.1**	*9,231.4*
Convertible debentures	**583.8**	*585.0*
Units of equity oriented mutual funds	**200.6**	*252.7*
Investment in venture capital funds	**16,149.9**	*11,761.6*
Others (loans against collateral, advances to brokers)[2]	**12,956.0**	*6,683.6*
Total	**44,343.4**	*28,514.3*

1. Includes advance application money pending allotment of Rs. 2,560.6 million (March 31, 2005: Rs. 821.3 million).
2. Includes unutilised limits sanctioned to brokers and individuals against shares amounting to Rs. 3,648.5 million (March 31, 2005: Rs. 3,495.2 million).

14. 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, 2006 is given below.

(Rupees in million)

No.	Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities[2]	Extent of 'unlisted' securities[2]
			(a)	(b)	(c)	(d)
1.	PSUs	2,875.6	277.5	32.1	0.5	32.6
2.	FIs	1,918.2	920.3	—	91.3	91.3
3.	Banks	22,373.4	7,087.2	—	—	50.0
4.	Private corporates	43,351.2	17,367.6	—	17,256.5	15,879.3
5.	Subsidiaries/ Joint ventures	28,607.0	2,704.8	—	150.0	150.0
6.	Others	110,647.5	29,891.5	23,422.1	0.3	—
7.	Provision held towards depreciation	(5,043.9)	—	—	—	—
	Total	204,729.0	58,248.9	23,454.2	17,498.6	16,203.2

1. Amounts reported under columns (a), (b), (c), and (d) above are not mutually exclusive.
2. This excludes investments, amounting to Rs. 2,554.8 million, in preference shares of subsidiaries, namely ICICI Bank UK Limited and ICICI Bank Canada and Rs. 32,644.2 million invested by overseas branches/offshore banking unit.

b) 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	Extent of 'below investment grade' securities	Extent of 'unrated' securities[2]	Extent of 'unlisted' securities[2]
			(a)	(b)	(c)	(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 corporates	45,210.9	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	86,856.4	27,821.3	23,359.0	0.3	—
7.	Provision held towards depreciation	(6,877.5)	—	—	—	—
Total		160,055.6	68,418.4	23,559.0	31,634.2	32,915.4

1. Amounts reported under columns (a), (b), (c), and (d) above are not mutually exclusive.
2. 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.

ii) Non-performing non-SLR investments

The movement in gross non-performing non-SLR investments of the Bank as on March 31, 2006, and March 31, 2005 are given below.

Rupees in million

Particulars	**Year ended March 31, 2006**	*Year ended March 31, 2005*
Opening balance	**8,877.3**	*12,334.7*
Additions during the year	**2,158.0**	*1,570.3*
Reduction during the year	**8,439.4**	*5,027.3*
Closing balance	**2,595.9**	*8,877.3*
Total provisions held	**1,509.3**	*3,166.7*

15. Repurchase transactions

The details of securities sold and purchased under repos and reverse repos during the year ended March 31, 2006, and 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 year end
Year ended March 31, 2006				
Securities sold under repurchase transaction	—	43,134.3	15,296.0	10,000.0
Securities purchased under reverse repurchase transaction	—	33,608.7	1,214.9	—
Year ended 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	—

Note: The above figures do not include securities sold and purchased under Liquidity Adjustment Facility ("LAF") of RBI. The above figures are for Indian branches only.

16. Lending to sensitive sectors

The Bank has lending to sectors, which are sensitive to asset price fluctuations. The sensitive sectors include capital market, real estate and commodities.

The net position of lending to capital market and commodities sector is given in the table below.

Rupees in million

	As on March 31, 2006	*As on March 31, 2005*
Capital market sector		
i) Investments made in equity shares	**14,453.1**	*9,231.4*
ii) Investments in bonds / convertible debentures	**583.8**	*585.0*
iii) Investments in units of equity–oriented mutual funds	**200.6**	*252.7*
iv) Advances against share to individuals for investment in equity shares (including IPOs /ESOPS), bonds and debentures, units of equity oriented mutual funds[1]	**5,470.1**	*1,563.2*
v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers	**7,485.9**	*5,120.4*
Total[2]	**28,193.5**	*16,752.7*
vi) Of (v) above, the total finance extended to stockbrokers for margin trading	**—**	*—*
Commodities sector	**29,849.4**	*10,061.0*

1. Represents loans to Non-Banking Financial Companies ("NBFCs"), brokers and individuals against pledge of shares and includes an amount of Rs. 102.7 million as on March 31, 2006 (March 31, 2005: Rs. 141.0 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.
2. The total does not include exposure in unregistered Venture Capital funds amounting to Rs. 16,149.9 million as of March 31, 2006 (March 31, 2005: Rs. 11,761.6 million) which forms a part of capital market sector.

The net position of lending to real estate sector is given in the table below.

Rupees in million

	As on March 31, 2006	*As on March 31, 2005*
Real estate sector		
I Direct exposure	**501,514.8**	*322,930.6*
i) Residential mortgages, of which	**431,668.5**	*274,883.7*
- Upto Rs. 1.5 million	**263,796.5**	*166,413.1*
ii) Commercial real estate[1]	**69,846.0**	*45,618.4*
iii) Investments in mortgage backed securities (MBS) and other securitised exposures	**0.3**	*2,428.5*
a) Residential	**0.3**	*2,428.5*
b) Commercial real estate	**—**	*—*
II Indirect exposure	**30,135.8**	*52,619.9*
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	**30,135.8**	*52,619.9*
Total	**531,650.6**	*375,550.5*

1. Commercial real estate exposure includes loans given to land and building developers for construction, corporates for their real estate requirements and to individuals for non-residential premises.

17. Credit exposure

a) As on March 31, 2006, the Bank had no single borrower exposure above 15% and no group borrower exposure above 40% of capital funds.

b) As on March 31, 2005 the Bank had taken single borrower exposure above 15% with the approval of the Board of Directors in the cases given below.

Name of Borrower	As on March 31, 2005 % to capital funds
Bharat Heavy Electricals Limited	19.50%
Essar Oil Limited	17.46%
Asset Reconstruction Co. of India Limited ("ARCIL")[1]	16.73%
Larsen & Toubro Limited	16.20%

1. Includes exposure to security receipts issued by ARCIL.

18. 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. The country exposure (net) of the Bank in respect of United Kingdom is 1.11% of the total funded assets. As the net funded exposure to United Kingdom exceeds 1%, the Bank has made a provision of Rs. 63.6 million on country exposure during the year ended March 31, 2006.

Rupees in million

Risk category	**Exposure (net) as on March 31, 2006**	*Exposure (net) as on March 31, 2005*
Insignificant	**118,755.5**	*54,349.8*
Low	**44,689.4**	*11,408.4*
Moderate	**24,372.9**	*4,592.1*
High	**3,357.7**	—
Very High	**—**	—
Restricted	**447.1**	—
Off-Credit	**223.1**	*656.2*
Total	**191,845.7**	*71,006.5*
- of which funded	**138,915.0**	*38,885.7*

19. Advances

The details of movement of gross NPAs, net NPAs and provisions are given in the table below.

Rupees in million

Particulars	**Year ended March 31, 2006**	*Year ended March 31, 2005*
(i) Net NPAs (funded) to Net Advances (%)	**0.72%**	*1.65%*
(ii) Movement of NPAs (Gross)		
(a) Opening balance	**27,704.3**	*30,475.9*
(b) Additions during the year[1]	**10,202.3**	*11,157.9*
(c) Reductions during the year[1]	**(15,680.7)**	*(13,929.5)*
(d) Closing balance [2]	**22,225.9**	*27,704.3*
(iii) Movement of Net NPAs		
(a) Opening balance	**15,052.7**	*13,724.0*
(b) Additions during the year[1]	**7,035.0**	*11,216.3*
(c) Reductions during the year[1]	**(11,560.9)**	*(9,887.6)*
(d) Closing balance	**10,526.8**	*15,052.7*
(iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance [3]	**12,368.5**	*16,250.1*[4]
(b) Provisions made during the year (including utilisation of fair value provisions)	**5,601.2**	*18,002.1*
(c) Write-off/write-back of excess provisions	**(6,542.2)**	*(21,883.7)*
(d) Closing balance [3]	**11,427.5**	*12,368.5*

1. Excludes cases added to and deleted from NPAs in the same year with such gross loans amounting to Rs. 1,714.7 million (March 31, 2005: Rs. 13,759.9 million) and such net loans amounting to Rs. 1,463.2 million (March 31, 2005: Rs. 9,540.7 million).
2. Includes suspended interest and claims received from ECGC/DICGC of Rs. 271.6 million (March 31, 2005: Rs. 283.7 million) on working capital loan.
3. Excludes technical write-off amounting to Rs. 6,586.7 million (March 31, 2005: Rs. 15,763.6 million) and suspended interest and claims received from ECGC/DICGC of Rs. 271.6 million (March 31, 2005: Rs. 283.7 million).
4. Includes utilisation of fair value provisions.

forming part of the Accounts *(Contd.)*

20. 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 the ARCIL, the security receipts were valued at their respective NAVs as advised by the ARCIL. The details of the assets transferred for the years ended March 31, 2006 and March 31, 2005 are given in the table below.

Rupees in million

		Year ended March 31, 2006	*Year ended March 31, 2005*
A	No. of accounts	**15**	*82*
B	Aggregate value (net of provisions) of accounts sold to SC/RC	**4,794.0**	*13,279.3*
C	Aggregate consideration	**4,066.3**	*10,862.3*
D	Additional consideration realised in respect of accounts transferred in earlier years[1]	**—**	*—*
E	Aggregate gain/(loss) over net book value	**(727.7)**	*(2,417.0)*

1. During the year ended March 31, 2006, ARCIL fully redeemed security receipts of four trusts and partly redeemed security receipts of two trusts. The Bank realised Rs. 95.7 million over the gross book value in respect of these trusts.

21. Provisions on standard asset

The provision on standard assets held by the Bank in accordance with RBI guidelines was Rs. 5,638.3 million at March 31, 2006 (March 31, 2005: Rs. 2,248.1 million).

22. Information in respect of restructured assets

a) Details of loan assets subjected to restructuring is given below.

Rupees in million

		Year ended March 31, 2006	*Year ended March 31, 2005*
(i)	Total amount of loan assets subjected to restructuring, rescheduling, renegotiation;	**4,139.4**	*20,196.5*
	of which under CDR [(i) = (ii)+(iii)+(iv)]	**4,077.0**	*18,060.1*
(ii)	The amount of standard assets subjected to restructuring, rescheduling, renegotiation;	**4,055.5**	*19,455.3*
	of which under CDR	**4,055.5**	*17,501.4*
(iii)	The amount of sub-standard assets subjected to restructuring, rescheduling, renegotiation;	**62.4**	*558.7*
	of which under CDR	—	*558.7*
(iv)	The amount of doubtful assets subjected to restructuring, rescheduling, renegotiation;	**21.5**	*182.5*
	of which under CDR	**21.5**	*—*

Note: 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. The above table includes cases that were restructured and disclosed in earlier years by the Bank and subsequently referred to and admitted under the CDR scheme during the current year.

b) The gross amounts (net of write-offs) of restructuring under the CDR schemes during the year are given below.

Rupees in million

Loan category	Year ended March 31, 2006			*Year ended March 31, 2005*		
	No.	**Amount**	**Interest Sacrifice**	*No.*	*Amount*	*Interest Sacrifice*
Standard	**2**	**4,055.5**	**50.7**	*17*	*17,501.4*	*788.0*
Sub-standard	**—**	**—**	**—**	*3*	*558.7*	*—*
Doubtful	**1**	**21.5**	**—**	*—*	*—*	*—*
Total	**3**	**4,077.0**	**50.7**	*20*	*18,060.1*	*788.0*

Note: 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. The above table includes cases that were restructured and disclosed in earlier years by the Bank and subsequently referred to and admitted under the CDR scheme during the current year.

During the year ended March 31, 2006, there has been no debt restructuring for small and medium enterprises.

c) The Bank has restructured borrower accounts in standard, sub-standard and doubtful categories. The gross amounts (net of write-off) of asset restructured during the year are given below.

Rupees in million

Loan category	**Year ended March 31, 2006**			*Year ended March 31, 2005*		
	No.	**Amount**	**Interest Sacrifice**	*No.*	*Amount*	*Interest Sacrifice*
Standard	**—**	**—**	**—**	*16*	*15,745.2*	*685.8*
Sub-standard	**1**	**62.4**	**—**	*3*	*558.7*	*—*
Doubtful	**1**	**21.5**	**—**	*5*	*182.5*	*—*
Total	**2**	**83.9**	**—**	*24*	*16,484.4*	*685.8*

Note: The above details include 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 referred to and admitted under the CDR scheme during the current year.

23. Details of non-performing assets sold, excluding those sold to SC/RC

The Bank has sold certain cases of non-performing assets in terms of the guidelines issued by RBI circular no. DBOD.NO.BP.BC.16/21.04.048/2005-06 dated July 13, 2005 on such sale. The details of assets sold are given below.

Rupees in million

	Particulars	**Year ended March 31, 2006**
1.	No. of borrower accounts sold	**366**
2.	Aggregate outstanding (Gross)	**14,384.1**
3.	Aggregate consideration received	**2,223.2**

24. Fixed Assets

Fixed assets include softwares acquired by the Bank. The movement in software assets is given below.

Rupees in million

	Year ended March 31, 2006	*Year ended March 31, 2005*
At cost as on March 31st of preceding year	**2,422.6**	*2,057.7*
Additions during the year	**430.1**	*364.9*
Deductions during the year	**—**	*—*
Depreciation to date	**(2,026.3)**	*(1,396.5)*
Net block	**826.4**	*1,026.1*

25. Assets under lease

25.1 Assets under operating lease

The details of future rentals payable on operating leases are given below.

Rupees in million

Period	**As on March 31, 2006**	*As on March 31, 2005*
Not later than one year	**126.7**	*234.4*
Later than one year and not later than five years	**605.9**	*999.5*
Later than five years	**2.0**	*311.2*
Total	**734.6**	*1,545.1*

25.2 Assets under finance lease

The details of finance leases are given below.

Rupees in million

Period	**As on March 31, 2006**	*As on March 31, 2005*
Total of future minimum lease payments	**817.1**	*1,105.5*
Present value of lease payments	**695.1**	*913.6*
Unmatured finance charges	**122.0**	*191.9*
Maturity profile of total of future minimum lease payments		
- Not later than one year	**232.4**	*293.3*
- Later than one year and not later than five years	**584.7**	*804.5*
- Later than five years	**—**	*7.7*
Total	**817.1**	*1,105.5*

forming part of the Accounts *(Contd.)*

25.3 The maturity profile of present value of lease payments is given below.

The details of maturity profile of present value of finance lease payments are given below.

Rupees in million

Period	As on March 31, 2006	*As on March 31, 2005*
Not later than one year	**176.7**	*222.8*
Later than one year and not later than five years	**518.4**	*683.3*
Later than five years	**—**	*7.5*
Total	**695.1**	*913.6*

26. 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 is 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, 2005: Rs. 384.0 million) has been charged to revenue being the proportionate amount amortised for the year ended March 31, 2006.

27. Provisions for income tax

The provision for income tax (including deferred tax and fringe benefit tax) for the year ended March 31, 2006 and March 31, 2005 amounted to Rs. 5,535.3 million and Rs. 5,190.0 million respectively.

28. Deferred Tax

As on March 31, 2006, the Bank has recorded net deferred tax asset of Rs. 1,642.8 million (March 31, 2005: Rs. 148.7 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	As on March 31, 2006	*As on March 31, 2005*
Deferred tax asset		
Provision for bad and doubtful debts	**6,501.5**	*6,990.8*
Capital loss	**950.0**	—
Others	**880.7**	*917.2*
	8,332.2	*7,908.0*
Less: Deferred tax liability		
Depreciation on fixed assets	**6,697.2**	*7,537.7*
Others	**—**	*221.6*
	6,697.2	*7,759.3*
Add: Deferred tax asset pertaining to foreign branches	**7.8**	—
Total net deferred tax asset/ (liability)	**1,642.8**	*148.7*

During the year ended March 31, 2006, the Bank has created a deferred tax asset on carry forward capital losses as based on its firm plans it is virtually certain that sufficient future taxable capital gains will be available against which the loss can be set off.

29. Other Assets

29.1 Exchange fluctuation

Exchange fluctuation aggregating Rs. 25.0 million (March 31, 2005: Rs. 244.7 million), which arises on account of rupee-tying agreements with the Government of India, is held in "Rupee Determine Exchange Fluctuation Account" pending adjustment at maturity on receipt of payments from the Government for repayments to foreign lenders.

29.2 Swap suspense (net)

Swap suspense (net) aggregating Rs. 71.6 million (debit) (March 31, 2005: Rs. 794.7 million (debit)), which arises out of conversion of foreign currency swaps, is held in "Swap suspense account" and will be reversed at conclusion of swap transactions with swap counter-parties.

30. Derivatives

ICICI Bank is a major 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 carried out by identified groups in the treasury of the Bank based on purpose of transaction. 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.

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. The 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 compliance issues in relation thereto. The RCB comprises of independent directors and the Managing Director and CEO.

Risk monitoring of the 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 effectiveness is assessed at the time of inception of the hedge and periodically thereafter. During the year the Bank changed its method for testing hedge effectiveness from the price value of basis point ("PVBP") or duration method to the marked to market method. Due to this change certain derivative contracts which were hitherto accounted for as hedges, became ineffective and were accordingly accounted for as trading.

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 International Swap Dealers Association (''ISDA'') master agreements with the respective counterparties. 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 counterparties.

Rupees in million

As on March 31, 2006

Sr. No.	Particular	Currency derivatives [1]	Interest rate derivatives [2]
1.	Derivatives (Notional principal amount)		
	a) For hedging	—	41,252.2
	b) For trading	428,580.4	2,174,510.4
2.	Marked to market positions [3]		
	a) Asset (+)	2,150.3	1,963.2
	b) Liability (-)	—	—
3.	Credit exposure	21,458.8	28,170.8
4.	Likely impact of one percentage change in interest rate (100*PV01)		
	a) on hedging derivatives [4]	—	(1,230.8)
	b) on trading derivatives	1,087.0	900.9
5.	Maximum and minimum of 100*PV01 observed during the year		
	a) on hedging[4]		
	Maximum	—	838.4
	Minimum	(74.4)	(1,230.8)
	b) on trading		
	Maximum	1,119.8	1,097.5
	Minimum	632.8	(1,439.1)

1. Options & Cross Currency Interest Rate Swaps are included in currency derivatives.
2. Foreign currency Interest Rate Swaps, Forward Rate Agreements and swaptions are included in interest rate derivatives.
3. For trading portfolio.
4. The swap contracts entered for hedging purpose would have an opposite and offsetting impact with the underlying on-balance sheet items.

forming part of the Accounts *(Contd.)*

Rupees in million

Sr. No.	Particular	As on March 31, 2005 Currency derivatives [1]	Interest rate derivatives [2]
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 [3]		
	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 [4]	(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 [4]		
	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)

1. Options & cross currency interest rate swaps are included in currency derivatives.
2. Foreign currency interest rate swaps and forward rate agreements are included in interest rate derivatives.
3. For trading portfolio.
4. The swap contracts entered for hedging purpose have an opposite and offsetting impact with the underlying on-balance sheet items.

The notional principal amount of credit derivatives outstanding at March 31, 2006 was Rs. 23,514.4 million (March 31, 2005: Rs. 3,937.1 million).

The notional principal amount of forex contracts classified as hedging amounted to Rs. 165,041.4 million (March 31, 2005: Rs. 60,340.1 million). The notional principal amount of forex contracts classified as trading amounted to Rs. 753,273.6 million (March 31, 2005: Rs. 609,304.1 million).

The net overnight open position at March 31, 2006 is Rs. 457.8 million (March 31, 2005: Rs. 190.7 million).

31. Forward rate agreement ("FRA")/ Interest rate swaps ("IRS")

The notional principal amount of Rupee IRS contracts at March 31, 2006 is Rs. Nil for hedging contracts (March 31, 2005: Rs. 51,100.0 million) and Rs. 1,870,025.6 million for trading contracts (March 31, 2005: Rs. 1,114,302.0 million).

The fair value represents the estimated replacement cost of swap contracts at balance sheet date. At March 31, 2006 the fair value of trading rupee interest rate swap contracts is Rs. 922.4 million (March 31, 2005: Rs. 333.6 million).

Associated credit risk is the loss that the Bank would incur in case all the counter-parties to these swaps fail to fulfil their contractual obligations. At March 31, 2006, the associated credit risk on trading rupee interest rate swap contracts is Rs. 16,754.4 million (March 31, 2005: Rs. 9,865.3 million).

Market risk is monitored as the loss that would be incurred by the Bank for a 100 basis points change in the interest rates. At March 31, 2006 the market risk on trading rupee interest rate swap contracts amounts to Rs. 1,192.3 million (March 31, 2005: Rs. 137.8 million).

Credit risk concentration is measured as the highest net receivable under swap contracts from a particular counter-party. At March 31, 2006 there is a credit risk concentration of Rs. 476.4 million (March 31, 2005: Rs. 274.6 million) under rupee interest rate swap contracts, with ICICI Securities. As per the prevailing market practice, the Bank does not insist on collateral from the counter-parties in these contracts.

The details of the forward rate agreements/interest rate swaps are given below.

Particulars	As on March 31, 2006	As on March 31, 2005
i) The notional principal of rupee swap agreements [1]	**1,870,025.6**	*1,165,402.0*
ii) Losses which would be incurred if all counter-parties failed to fulfil their obligations under the agreements	**16,754.4**	*9,865.3*
iii) Collateral required by the Bank upon entering into swaps	**—**	—
iv) Concentration of credit risk arising from the rupee swaps	**476.4**	*274.6*
v) The fair value of rupee trading swap book [2]	**922.4**	*333.6*

1. Notional principal of swap agreements includes both hedge and trading portfolio.
2. Fair value represents clean mark-to-market.

32. Exchange Traded Interest Rate Derivatives

The detail of exchange traded interest rate derivatives is given below.

Rupees in million

Sr. No.	Particulars	As on March 31, 2006
(i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise)	
	a) Euro dollar futures	133,577.3
	b) Treasury note futures – 10 years	13,496.0
	c) Treasury note futures – 5 years	3,319.4
(ii)	Notional principal amount of exchange traded interest rate derivatives outstanding as on March 31, 2006 (instrument-wise)	
	a) Euro dollar futures	—
	b) Treasury note futures – 10 year	1,516.9
	c) Treasury note futures – 5 year	—
(iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	N.A
(iv)	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	N.A

Note: All the transactions in exchange traded derivatives have been entered into by foreign branches for trading portfolio.

Rupees in million

Sr. No.	Particulars	As on March 31, 2005
(i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise)	
	a) Euro dollar futures	73,404.1
	b) Treasury note futures – 10 years	153.1
	c) Treasury note futures – 5 years	1,224.9
(ii)	Notional principal amount of exchange traded interest rate derivatives outstanding as on March 31, 2005 (instrument-wise)	
	a) Euro dollar futures	—
	b) Treasury note futures – 10 years	65.6
	c) Treasury note futures – 5 years	—
(iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	N.A
(iv)	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	N.A

Note: All the transactions in exchange traded derivatives have been entered into by foreign branches for trading portfolio.

forming part of the Accounts *(Contd.)*

33. Subvention income

The Bank has aligned its accounting policy for subvention income with its accounting policy for direct marketing agency/ associate expenses. Accordingly, subvention income has been accounted for in the period in which it is received instead of over the period of the loan. As a result of the change in policy, the impact on profit after tax for the year ended March 31, 2006 is not expected to be significant.

34. Provision

RBI has increased the requirement of general provisioning on standard loans (excluding loans to agriculture sector and small and medium enterprises) to 0.40% compared to 0.25% earlier. In accordance with the revised guidelines on general provisioning on standard loans, the Bank has made general provision of Rs. 3,390.2 million during the year ended March 31, 2006. The Bank has reassessed its provision requirement on performing loans and non-performing loans on a portfolio basis during the year ended March 31, 2006. Based on this reassessment, the Bank has written back an amount of Rs. 1,692.2 million from its existing provisions against non-performing loans, which were in excess of regulatory requirements.

35. Penalties imposed by RBI

The RBI had imposed penalties (ranging from Rs. 0.5 million to Rs. 2.0 million) on certain banks including ICICI Bank on January 23, 2006 under Section 47A(1)(b) of the Banking Regulation Act, 1949. A penalty of Rs. 0.5 million (March 31, 2005: Rs. Nil) had been imposed on the Bank citing contravention of RBI instructions relating to opening of accounts, monitoring of transactions for adherence to Know Your Customer ("KYC")/Anti Money Laundering ("AML") norms, and non-adherence to normal banking practices.

36. Comparative figures

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

Signatures to Schedules 1 to 18

For and on behalf of the Board of Directors

N. VAGHUL
Chairman

K. V. KAMATH
Managing Director & CEO

LALITA D. GUPTE
Joint Managing Director

KALPANA MORPARIA
Joint Managing Director

CHANDA D. KOCHHAR
Deputy Managing Director

NACHIKET MOR
Deputy Managing Director

Place : Mumbai
Date : April 29, 2006

VISHAKHA MULYE
Chief Financial Officer
& Treasurer

JYOTIN MEHTA
General Manager &
Company Secretary

RAKESH JHA
General Manager

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, 2006	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[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[2]	
					(Rs. in '000s)		(Rs. in '000s)	
					for the financial year ended March 31, 2006	for the previous financial years of the subsidiary since it became a subsidiary	for the financial year ended March 31, 2006	for the previous financial years of the subsidiary since it became a subsidiary
1	ICICI Securities Limited	March 31, 2006	165,884,100 equity shares of Rs. 10 each fully paid up	99.9%	780,059	2,406,723	695,290	3,449,721
2	ICICI Brokerage Services Limited [3]	March 31, 2006	4,500,700 equity shares of Rs. of each, fully paid up held by ICICI Securities Limited	99.9%	44,367	423,701	166,370	Nil
3	ICICI Securities Holdings Inc. [3]	March 31, 2006	11,700,000 common stock of USD 1 each fully paid up held by ICICI Securities Limited	99.9%	17,274	(18,858)	Nil	Nil
4	ICICI Securities Inc. [3]	March 31, 2006	11,050,000 common stock of USD 1 each fully paid up held by ICICI Securities Holdings Inc.	99.9%	27,783	(6,491)	15,635	Nil
5	ICICI Venture Funds Management Company Limited	March 31, 2006	1,000,000 equity shares of Rs. 10 each fully paid up	100.0%	108,461	435,654	394,514	881,465
6	ICICI International Limited [4]	March 31, 2006	90,000 ordinary shares of US$ 10 each fully paid up	100.0%	(607)	11,530	Nil	15,782
7	ICICI Home Finance Company Limited [5]	March 31, 2006	283,750,000 equity shares of Rs. 10 each fully paid up	100.0%	67,766	407,616	55,125	305,250
8	ICICI Trusteeship Services Limited	March 31, 2006	50,000 equity shares of Rs. 10 each fully paid up	100.0%	200	797	Nil	Nil
9	ICICI Investment Management Company Limited	March 31, 2006	10,000,700 equity shares of Rs. 10 each fully paid up	100.0%	3,151	17,961	Nil	Nil
10	ICICI Prudential Life Insurance Company Limited	March 31, 2006	1,185,000,000 equity shares of Rs. 10 each fully paid up	74.0%	(1,390,304)	(5,070,670)	Nil	Nil
11	ICICI Lombard General Insurance Company Limited	March 31, 2006	245,000,000 equity shares of Rs.10 each fully paid up	74.0%	200,220	248,814	172,050	293,129
12	ICICI Bank UK Limited [4]	March 31, 2006	135,000,000 ordinary shares of USD 1 each and 2 ordinary shares of 1 GBP each	100.0%	460,629	4,020	182,449	Nil
13	ICICI Bank Canada [6]	December 31, 2005	63,500,000 common shares of Canadian Dollar (CAD) 1 each	100.0%	(329,269)	(199,322)	Nil	Nil
14	ICICI Bank Eurasia Limited Liability Company [6 7]	December 31, 2005	313,100,000 shares of Russian Rouble (RUB) 1 each	100.0%	12,457	Nil	Nil	Nil
15	Prudential ICICI Asset Management Company Limited	March 31, 2006	18,018,552 equity shares of Rs. 10 each, fully paid up	51.0%	48,915	Nil	79,029	Nil
16	Prudential ICICI Trust Limited [8]	March 31, 2006	100,700 equity shares of Rs. 10 each, fully paid up	50.8%	161	Nil	Nil	Nil

1. The above companies (other than ICICI Bank UK Limited, ICICI Bank Canada, ICICI Bank Eurasia Limited Liability Company, Prudential ICICI Asset Management Company Limited and Prudential ICICI Trust Limited) which were subsidiaries of erstwhile ICICI Limited have become subsidiaries of the Bank consequent to the merger of erstwhile ICICI Limited with ICICI Bank.
2. The amount received by 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 a wholly owned subsidiary of ICICI Securities Holdings Inc.
4. The profits/(losses) of ICICI Bank UK Limited and ICICI International Limited for the year ended March 31, 2006 have been translated into Indian Rupees at the rate of 1 USD = Rs. 44.2729.
5. Pursuant to the scheme of amalgamation of ICICI Distribution Finance Private Limited (IDFL) with ICICI Home Finance Company Limited as consented by the shareholders and subsequently sanctioned by the Honorable High Court of Bombay on June 30, 2005; the business of IDFL including all its assets and liabilities stood transferred to and vested in the company with retrospective effect from April 1, 2004. Accordingly, the figures of ICICI Home Finance Company Limited include the figures of IDFL for the previous financial years.
6. The profits/(losses) of ICICI Bank Canada and ICICI Bank Eurasia Limited Liability Company have been translated into Indian Rupees at the closing rate on December 31, 2005 of 1 CAD = Rs. 36.71594 and 1 RUB =Rs. 1.5617 respectively.
7. ICICI Bank Eurasia Limited Liability Company has become a subsidiary of ICICI Bank with effect from May 19, 2005, being the date of its acquisition.
8. Prudential ICICI Asset Management Company Limited and Prudential ICICI Trust Limited have become subsidiaries of ICICI Bank with effect from August 26, 2005.
9. The information furnished for ICICI Bank Canada and ICICI Bank Eurasia Limited Liability Company is from the period January 1, 2005 to December 31, 2005, being their financial year. Please find below key financial parameters of these companies as on March 31, 2006 and their movement from December 31, 2005 levels.

ICICI Bank Canada			(Rs. in '000s)
Particulars	As on March 31, 2006	As on Dec. 31, 2005	Movement
Equity share capital (fully held by ICICI Bank Limited)	3,145,725	2,459,196	686,529
Fixed assets	140,483	151,967	(11,484)
Investments	13,700,285	7,620,875	6,079,410
Advances	24,141,790	19,158,765	4,983,025
Borrowings [a]	1,407,904	Nil	1,407,904

ICICI Bank Eurasia Limited Liability Company			(Rs. in '000s)
Particulars	As on March 31, 2006	As on Dec. 31, 2005	Movement
Equity share capital (fully held by ICICI Bank Limited)	503,371	492,381	10,990
Fixed assets	27,360	5,912	21,448
Investments	1,443,211	Nil	1,443,211
Advances	983,244	365,834	617,410
Borrowings [a]	3,350	3,280	70

a. Since it is not possible to identify the amount borrowed to meet its current liabilities, the amount shown above represents the total borrowings.
b. The financials parameters of ICICI Bank Canada have been translated into Indian Rupees at 1 CAD = Rs. 38.3625 for the year ended March 2006 and 1 CAD = Rs. 38.7275 for the year ended December 31, 2005.
c. The financials parameters of ICICI Bank Eurasia Limited Liability Company have been translated into Indian Rupees at 1 RUB = Rs. 1.6077 for the year ended March 31, 2006 and 1 RUB = Rs. 1.5726 for the year ended December 31, 2005.

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
Joint Managing Director

CHANDA D. KOCHHAR
Deputy Managing Director

NACHIKET MOR
Deputy Managing Director

JYOTIN MEHTA
General Manager & Company Secretary

RAKESH JHA
General Manager

Place : Mumbai
Date : April 29, 2006

VISHAKHA MULYE
Chief Financial Officer & Treasurer

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, 2006, 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 whose financial statements reflect total assets of Rs. 117,233 million as at March 31, 2006, the total revenues of Rs. 13,745 million and cash flows amounting to Rs. 6,109 million for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of other auditors.

We have jointly audited the financial statements of a subsidiary with other auditor whose financial statements reflect total assets of Rs. 92,255 million as at March 31, 2006, the total revenue of Rs. 56,982 million and cash flows amounting to Rs. 913 million for the year then ended.

We have also relied on the un-audited financial statements of certain subsidiaries, associates and joint ventures, whose financial statements reflect total assets of Rs. 3,967 million as at March 31, 2006, total revenues of Rs. 158 million and cash flows amounting to Rs. 1,390 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 give 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, 2006;

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 29, 2006

consolidated balance sheet

ICICI Bank

as on March 31, 2006 (Rs. in '000s)

	Schedule	As on 31.03.2006	*As on 31.03.2005*
CAPITAL AND LIABILITIES			
Capital	1	**12,398,345**	*10,867,758*
Reserves and Surplus	2	**213,519,487**	*115,374,366*
Minority interest		**2,749,402**	*1,524,823*
Deposits	3	**1,724,509,830**	*1,011,086,273*
Borrowings	4	**449,999,477**	*383,690,219*
Liabilities on policies in force		**81,221,053**	*34,475,904*
Other liabilities and provisions	5	**287,898,021**	*227,317,270*
TOTAL CAPITAL AND LIABILITIES		**2,772,295,615**	*1,784,336,613*
ASSETS			
Cash and balance with Reserve Bank of India	6	**89,859,352**	*63,701,428*
Balances with banks and money at call and short notice	7	**92,691,597**	*72,575,590*
Investments	8	**840,138,822**	*546,516,162*
Advances	9	**1,562,603,202**	*964,099,562*
Fixed assets	10	**41,428,705**	*41,781,927*
Other assets	11	**145,573,937**	*95,661,944*
TOTAL ASSETS		**2,772,295,615**	*1,784,336,613*
Contingent liabilities	12	**4,362,316,361**	*2,961,013,608*
Bills for collection		**43,469,104**	*23,971,962*
Significant accounting policies and notes to accounts	18		

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

As per our Report of even date.

For and on behalf of the Board of Directors

For S. R. Batliboi & Co.
Chartered Accountants

per VIREN H. MEHTA
a Partner
Membership No. : 048749

N. VAGHUL
Chairman

K. V. KAMATH
Managing Director & CEO

LALITA D. GUPTE
Joint Managing Director

KALPANA MORPARIA
Joint Managing Director

CHANDA D. KOCHHAR
Deputy Managing Director

NACHIKET MOR
Deputy Managing Director

Place : Mumbai
Date : April 29, 2006

VISHAKHA MULYE
Chief Financial Officer & Treasurer

JYOTIN MEHTA
General Manager & Company Secretary

RAKESH JHA
General Manager

consolidated profit and loss account

for the year ended March 31, 2006 **(Rs. in '000s)**

	Schedule	Year ended 31.03.2006	*Year ended 31.03.2005*
I. INCOME			
Interest earned	13	**146,141,891**	*98,337,569*
Other income	14	**111,469,028**	*70,976,340*
TOTAL INCOME		**257,610,919**	*169,313,909*
II. EXPENDITURE			
Interest expended	15	**101,014,796**	*68,043,787*
Operating expenses	16	**109,130,849**	*72,856,592*
Provisions and contingencies	17	**23,475,049**	*10,313,107*
TOTAL EXPENDITURE		**233,620,694**	*151,213,486*
III. PROFIT/LOSS			
Net profit for the year		**23,990,225**	*18,100,423*
Less: Minority interest		**(210,673)**	*(422,853)*
Net profit after minority interest		**24,200,898**	*18,523,276*
Profit brought forward		**(908,834)**	*(335,960)*
TOTAL PROFIT / (LOSS)		**23,292,064**	*18,187,316*
IV. APPROPRIATIONS/TRANSFERS			
Transfer to Statutory Reserve		**6,360,000**	*5,023,226*
Transfer to Reserve Fund		**222**	—
Transfer to Capital Reserve		**680,000**	*200,000*
Transfer to Investment Fluctuation Reserve		**5,900,000**	—
Transfer from Investment Fluctuation Reserve		**(13,203,350)**	—
Transfer to Special Reserve		**2,778,000**	*359,156*
Transfer to Revenue and other reserves		**14,330,152**	*6,185,021*
Proposed equity share dividend		**7,593,326**	*6,329,609*
Proposed preference share dividend		**35**	*35*
Corporate dividend tax		**1,289,284**	*999,103*
Balance carried over to Balance Sheet		**(2,435,605)**	*(908,834)*
TOTAL		**23,292,064**	*18,187,316*
Significant accounting policies and notes to accounts	18		
Earning per share (Refer note B. 1)			
Basic (Rs.)		**30.96**	*25.45*
Diluted (Rs.)		**30.64**	*25.25*
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
Membership No. : 048749

N. VAGHUL
Chairman

K. V. KAMATH
Managing Director & CEO

LALITA D. GUPTE
Joint Managing Director

KALPANA MORPARIA
Joint Managing Director

CHANDA D. KOCHHAR
Deputy Managing Director

NACHIKET MOR
Deputy Managing Director

Place : Mumbai
Date : April 29, 2006

VISHAKHA MULYE
Chief Financial Officer & Treasurer

JYOTIN MEHTA
General Manager & Company Secretary

RAKESH JHA
General Manager

consolidated cash flow statement

ICICI Bank

for the year ended March 31, 2006 (Rs. in '000s)

Particulars		Year ended 31.03.2006	*Year ended 31.03.2005*
Cash flow from operating activities			
Net profit before taxes		**31,198,896**	*24,207,093*
Adjustments for :			
Depreciation and amortisation		**9,462,631**	*9,778,945*
Net (appreciation) / depreciation on investments		**8,660,775**	*5,287,521*
Provision in respect of non-performing assets (including prudential provision on standard assets)		**8,117,173**	*(889,859)*
Provision for contingencies & others		**203,564**	*85,984*
(Profit) / loss on sale of fixed assets		**(51,832)**	*9,232*
		57,591,207	*38,478,916*
Adjustments for :			
(Increase) / decrease in investments		**(202,720,286)**	*(50,917,262)*
(Increase) / decrease in advances		**(606,401,452)**	*(313,691,838)*
Increase / (decrease) in borrowings		**82,006,471**	*60,236,038*
Increase / (decrease) in deposits		**713,348,700**	*330,298,939*
(Increase) / decrease in other assets		**(45,598,461)**	*(28,297,407)*
Increase / (decrease) in other liabilities and provisions		**81,889,315**	*74,907,141*
		22,524,287	*72,535,611*
(Payment) / refund of taxes (net)		**(10,198,463)**	*(9,475,531)*
Net cash generated from operating activities	**(A)**	**69,917,031**	*101,538,996*
Cash flow from investing activities			
Purchase of fixed assets		**(6,557,240)**	*(5,914,656)*
Proceeds from sale of fixed assets		**1,010,888**	*323,177*
(Purchase) / sale of long-term investments		**(96,168,425)**	*(37,444,165)*
Acquisition of subsidiaries (net of cash acquired)		**(688,736)**	*—*
Net cash generated from investing activities	**(B)**	**(102,403,513)**	*(43,035,644)*
Cash flow from financing activities			
Proceeds from issue of share capital		**79,039,409**	*31,922,933*
Amount received on exercise of stock options & calls in arrears		**811,100**	*649,861*
Net proceeds / (repayment) of bonds (including subordinated debts)		**6,534,092**	*(38,366,923)*
Dividend and dividend tax paid		**(7,598,693)**	*(6,381,725)*
Net cash generated from financing activities	**(C)**	**78,785,908**	*(12,175,854)*
Effect of exchange fluctuation on translation reserve	**(D)**	**(25,495)**	*65,418*
Net increase / (decrease) in cash and cash equivalents	**(A) + (B) + (C) + (D)**	**46,273,931**	*46,392,916*
Cash and cash equivalents as at 1st April		**136,277,018**	*89,884,102*
Cash and cash equivalents as at 31st March		**182,550,949**	*136,277,018*

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
Membership No. : 048749

Place : Mumbai
Date : April 29, 2006

For and on behalf of the Board of Directors

N. VAGHUL
Chairman

K. V. KAMATH
Managing Director & CEO

LALITA D. GUPTE
Joint Managing Director

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Deputy Managing Director

VISHAKHA MULYE
Chief Financial Officer & Treasurer

JYOTIN MEHTA
General Manager & Company Secretary

RAKESH JHA
General Manager

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

	As on 31.03.2006	*As on 31.03.2005*
SCHEDULE 1 — CAPITAL		
Authorised Capital		
1,000,000,000 equity shares of Rs. 10 each [March 31, 2005: 1,550,000,000 equity shares of Rs. 10 each]	**10,000,000**	*15,500,000*
55,000,000 preference shares of Rs. 100 each [March 31, 2005: Nil]	**5,500,000**	—
350 preference shares of Rs. 10 million each	**3,500,000**	*3,500,000*
Equity Share Capital		
Issued, subscribed and paid-up capital 736,716,094 equity shares of Rs. 10 each (March 31, 2005: 616,391,905 equity shares)	**7,367,161**	*6,163,919*
Add : Issued 110,967,096 equity shares of Rs. 10 each fully paid up vide prospectus dated December 8, 2005 (March 31, 2005: 115,866,538 equity shares vide prospectus dated April 12,2004.)[1]	**1,109,671**	*1,158,665*
Add : Issued 37,237,460 equity shares of Rs. 10 each fully paid up consequent to issue of 18,618,730 American Depository Shares (ADS) vide prospectus dated December 6, 2005 (includes 2,428,530 ADS issued under green shoe option)	**372,374**	—
Add : Issued 4,903,251 equity shares of Rs. 10 each fully paid up (March 31, 2005: 4,457,651 equity shares) on exercise of employee stock options	**49,033**	*44,577*
Less : Calls unpaid	**266**	—
Add : Forfeited 67,323 equity shares (March 31, 2005: 67,323 equity shares)	**372**	*372*
Share capital suspense [net] [Represents application money received for Nil equity shares (March 31, 2005: 22,470 equity shares) of Rs. 10 each on exercise of employee stock options]..	**—**	*225*
TOTAL EQUITY CAPITAL	**8,898,345**	*7,367,758*
Preference Share Capital[2] [Represents face value of 350 preference shares of Rs. 10 million each issued to preference shareholders of erstwhile ICICI Limited on amalgamation redeemable at par on April 20, 2018]	**3,500,000**	*3,500,000*
TOTAL CAPITAL	**12,398,345**	*10,867,758*

1. Includes 14,285,714 equity shares of Rs. 10 each fully paid up consequent to green shoe option vide prospectus dated December 8, 2005 (March 31, 2005: 6,992,187 equity shares on exercise of green shoe option vide prospectus dated April 12, 2004)
2. For these preference shares, 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.

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

	As on 31.03.2006	*As on 31.03.2005*
SCHEDULE 2 — RESERVES AND SURPLUS		
I. Statutory reserve		
Opening balance (other than joint ventures)	**14,637,244**	*9,772,027*
Additions during the year	**6,360,000**	*5,023,226*
Deductions during the year	**9,937**	*158,009*
Closing balance	**20,987,307**	*14,637,244*
II. Special reserve		
Opening balance (other than joint ventures)	**12,284,102**	*11,924,946*
Additions during the year	**2,778,000**	*359,156*
Deductions during the year	**—**	*—*
Closing balance	**15,062,102**	*12,284,102*
III. Share premium		
Opening balance (other than joint ventures)	**40,005,152**	*8,636,104*
Additions during the year [1]	**79,194,000**	*31,897,100*
Deductions during the year [2]	**874,078**	*528,052*
Closing balance	**118,325,074**	*40,005,152*
IV. Investment fluctuation reserve		
Opening balance (other than joint ventures)	**6,106,058**	*7,803,326*
Additions during the year	**10,531,600**	*853,627*
Deductions during the year	**14,120,409**	*2,550,895*
Closing balance	**2,517,249**	*6,106,058*
V. Capital reserve		
Opening balance (other than joint ventures)	**5,013,166**	*4,813,166*
Additions during the year	**680,000**	*200,000*
Deductions during the year	**—**	*—*
Closing balance	**5,693,166**	*5,013,166*
VI. Foreign currency translation reserve	**(25,495)**	*65,418*
VII. Reserve Fund	**222**	*—*
VIII. Revenue and other reserves		
Opening balance for joint ventures	**(1,646)**	*227,900*
Opening balance for others	**37,264,872**	*28,217,730*
Additions during the year for joint ventures	**—**	*948*
Additions during the year for others	**17,420,225**	*8,925,158*
Deductions during the year for joint ventures	**1,041**	*1,646*
Deductions during the year for others	**3,722,548**	*106,864*
Closing balance	**50,959,862**	*37,263,226*
TOTAL RESERVES AND SURPLUS	**213,519,487**	*115,374,366*

1. Includes :-
   a) Rs. 48,940.0 million (net of share premium in arrears of Rs. 92.4 million (March 31, 2005: Rs. Nil) consequent to public issue vide prospectus dated December 8, 2005.
   b) Rs. 22,134.6 million consequent to issue of ADS vide prospectus dated December 6, 2005.
   c) Rs. 7,357.1 million on the exercise of the green shoe option vide prospectus dated December 8, 2005.
   d) Rs. 725.6 million (March 31, 2005: Rs. 602.5 million) on exercise of employee stock options.
2. Represents share issue expenses amounting to Rs. 874.1 million, written-off from the share premium account as per the objects of the issue.

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

	As on 31.03.2006	*As on 31.03.2005*
SCHEDULE 3 — DEPOSITS		
A. I. Demand deposits		
i) From banks	**4,697,014**	*1,976,547*
ii) From others	**159,158,492**	*123,914,225*
II. Savings bank deposits	**242,571,556**	*116,596,089*
III. Term deposits		
i) From banks	**107,092,998**	*64,467,974*
ii) From others	**1,210,989,770**	*704,131,438*
TOTAL DEPOSITS	**1,724,509,830**	*1,011,086,273*
B. I. Deposits of branches/offices in India	**1,557,993,199**	*955,299,532*
II. Deposits of branches/offices outside India	**166,516,631**	*55,786,741*
TOTAL DEPOSITS	**1,724,509,830**	*1,011,086,273*
SCHEDULE 4 — BORROWINGS		
I. Borrowings In India		
i) Reserve Bank of India	**—**	*—*
ii) Other banks	**73,138,752**	*47,413,551*
iii) Other institutions and agencies		
a) Government of India	**2,813,561**	*3,612,510*
b) Financial institutions	**38,544,121**	*52,628,802*
iv) Borrowings in the form of		
a) Deposits (including deposits taken over from erstwhile ICICI Limited)	**1,896,486**	*2,334,981*
b) Commercial paper	**497,010**	*989,390*
c) 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 1 to 30 years from the date of placement	**16,179,466**	*30,948,127*
Bonds issued under multiple option/safety bonds series		
- Regular interest bonds	**8,556,640**	*9,933,481*
- Deep discount bonds	**4,257,163**	*4,039,128*
- Bonds with premium warrants	**928,721**	*797,947*
- Encash bonds	**679,210**	*1,170,280*
- Tax saving bonds	**46,187,337**	*59,167,873*
- Pension bonds	**61,052**	*59,351*
d) 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. 19,542.5 million at March 31, 2006)	**23,820,581**	*24,949,331*
ii) From international banks, institutions and consortiums	**150,053,656**	*92,955,740*
iii) By way of bonds and notes	**67,570,721**	*31,713,869*
TOTAL BORROWINGS	**449,999,477**	*383,690,219*

Secured borrowings in I and II above is Rs. 4,411.3 million (March 31, 2005: Rs. 2,951.1 million).

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

	As on 31.03.2006	*As on 31.03.2005*
SCHEDULE 5 — OTHER LIABILITIES AND PROVISIONS		
I. Bills payable	**33,336,184**	*27,944,845*
II. Inter-office adjustments (net)	**3,496,486**	*5,614,186*
III. Interest accrued	**14,563,000**	*13,418,493*
IV. Unsecured redeemable debentures/bonds [Subordinated for Tier II capital]	**107,358,255**	*82,338,996*
V. Others		
a) Security deposits from clients	**7,712,042**	*12,034,901*
b) Sundry creditors	**72,892,120**	*46,734,948*
c) Received for disbursements under special program	**3,007,090**	*2,932,942*
d) Provision for standard assets	**5,735,262**	*2,307,585*
e) Other liabilities[1]	**39,797,582**	*33,990,374*
TOTAL OTHER LIABILITIES AND PROVISIONS	**287,898,021**	*227,317,270*

1. Includes :-
   a) Proposed dividend of Rs. 7,675.0 million [March 31, 2005: Rs. 6,262.1 million].
   b) Corporate dividend tax payable of Rs. 1,134.3 million [March 31, 2005: Rs. 930.9 million].
   c) Deferred tax liability of Rs. 4.1 million [March 31, 2005: Rs. Nil].

	As on 31.03.2006	*As on 31.03.2005*
SCHEDULE 6 — CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand (including foreign currency notes)	**12,599,864**	*5,735,325*
II. Balances with Reserve Bank of India in current accounts	**77,259,488**	*57,966,103*
TOTAL CASH AND BALANCES WITH RESERVE BANK OF INDIA	**89,859,352**	*63,701,428*

	As on 31.03.2006	*As on 31.03.2005*
SCHEDULE 7 — BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
i) Balances with banks		
a) in current accounts	**4,606,958**	*5,176,718*
b) in other deposit accounts	**7,870,028**	*9,545,677*
ii) Money at call and short notice		
a) with banks	**6,500,000**	*16,100,000*
b) with other institutions	**3,000**	*1,900,000*
TOTAL	**18,979,986**	*32,722,395*
II. Outside India		
i) in current accounts	**7,685,674**	*7,555,628*
ii) in other deposit accounts	**38,778,224**	*8,762,607*
iii) Money at call and short notice	**27,247,713**	*23,534,960*
TOTAL	**73,711,611**	*39,853,195*
TOTAL BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE	**92,691,597**	*72,575,590*

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

	As on 31.03.2006	*As on 31.03.2005*
SCHEDULE 8 — INVESTMENTS [net of provisions]		
I. Investments in India		
i) Government securities	**527,979,787**	*359,865,891*
ii) Other approved securities	**356,349**	*318,890*
iii) Shares (includes equity and preference shares)	**38,738,178**	*32,027,936*
iv) Debentures and bonds	**27,896,238**	*35,035,525*
v) Others (commercial paper, mutual fund units, pass through certificates, security receipts etc.) [1]	**166,027,372**	*101,247,552*
TOTAL	**760,997,924**	*528,495,794*
II. Investments outside India		
i) Government securities	**10,701,989**	*377,947*
ii) Others	**68,438,909**	*17,642,421*
TOTAL	**79,140,898**	*18,020,368*
TOTAL INVESTMENTS	**840,138,822**	*546,516,162*

1. Includes assets held to cover linked liabilities of life insurance business of Rs. 70,788.5 million (March 31, 2005: Rs. 26,540.6 million).

	As on 31.03.2006	*As on 31.03.2005*
SCHEDULE 9 — ADVANCES (net of provisions)		
A. i) Bills purchased and discounted	**63,426,766**	*43,984,209*
ii) Cash credits, overdrafts and loans repayable on demand	**258,593,077**	*123,344,410*
iii) Term loans	**1,209,251,205**	*772,559,072*
iv) Securitisation, finance lease and hire purchase receivables [1]	**31,332,154**	*24,211,871*
TOTAL	**1,562,603,202**	*964,099,562*
B. i) Secured by tangible assets [includes advances against Book debt][2]	**1,290,962,380**	*827,679,644*
ii) Covered by Bank/Government guarantees	**15,235,139**	*10,795,838*
iii) Unsecured	**256,405,683**	*125,624,080*
TOTAL	**1,562,603,202**	*964,099,562*
C. I. Advances in India		
i) Priority sector	**447,310,487**	*215,591,362*
ii) Public sector	**11,572,043**	*11,154,310*
iii) Banks	**48,863**	*4,517,162*
iv) Others	**913,884,547**	*650,547,563*
TOTAL	**1,372,815,940**	*881,810,397*
II. Advances outside India		
i) Due from banks	**25,492,873**	*10,375,851*
ii) Due from others		
a) Bills purchased and discounted	**44,128,091**	*24,884,221*
b) Syndicated loans	**39,708,130**	*11,925,394*
c) Others	**80,458,168**	*35,103,699*
TOTAL	**189,787,262**	*82,289,165*
TOTAL ADVANCES	**1,562,603,202**	*964,099,562*

1. Includes receivables under lease amounting to Rs. 695.1 million (March 31, 2005 : Rs. 913.6 million).
2. Includes a loan of Rs. 16,028.7 million (March 31, 2005: Rs. Nil) for which security is being created.

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

	As on 31.03.2006	*As on 31.03.2005*
SCHEDULE 10 — FIXED ASSETS		
I. Premises		
At cost as on March 31 of preceding year	19,584,791	*17,091,998*
Opening adjustment	25,155	*71,166*
Additions during the year	1,699,414	*2,547,867*
Deductions during the year	(151,771)	*(126,240)*
Depreciation to date	(2,278,057)	*(1,649,800)*
Net block	18,879,532	*17,934,991*
II. Other fixed assets (including furniture and fixtures)		
At cost as on March 31 of preceding year	17,808,855	*14,589,789*
Opening adjustment	77,299	*179,786*
Additions during the year	4,838,149	*3,300,561*
Deductions during the year	(202,946)	*(261,281)*
Depreciation to date	(11,710,388)	*(8,510,555)*
Net block	10,810,969	*9,298,300*
III. Assets given on Lease		
At cost as on March 31 of preceding year	20,424,065	*20,736,475*
Additions during the year	544	*212,838*
Deductions during the year	(1,259,086)	*(525,248)*
Depreciation to date, accumulated lease adjustment and provisions	(7,427,319)	*(5,875,429)*
Net block	11,738,204	*14,548,636*
TOTAL FIXED ASSETS	41,428,705	*41,781,927*
SCHEDULE 11 — OTHER ASSETS		
I. Inter-office adjustments (net)	—	*—*
II. Interest accrued	22,887,616	*13,835,593*
III. Tax paid in advance/tax deducted at source (net)	28,418,197	*26,943,097*
IV. Stationery and stamps	1,663	*3,609*
V. Non-banking assets acquired in satisfaction of claims [1]	3,627,879	*3,677,234*
VI. Others		
a) Advance for capital assets	1,545,327	*1,002,726*
b) Outstanding fees and other income	3,578,907	*3,387,499*
c) Exchange fluctuation suspense with Government of India	24,966	*244,749*
d) Swap suspense	71,587	*794,710*
e) Deposits	26,069,853	*15,020,640*
f) Deferred tax asset (Net)	2,471,990	*702,188*
g) Early Retirement Option expenses not written off	885,979	*1,269,979*
h) Others [2 3]	55,989,973	*28,779,920*
TOTAL OTHER ASSETS	145,573,937	*95,661,944*

1. Includes certain non-banking assets acquired in satisfaction of claims which are in the process of being transferred in the Bank's name.
2. Includes debit balance in profit and loss account of Rs. 2,435.6 million (March 31, 2005: Rs. 908.8 million) including debit balance in profit and loss account for joint ventures of Rs. 13.7 million (March 31, 2005: credit balance of Rs. 4.6 million).
3. Includes Goodwill on consolidation amounting to Rs. 624.0 million (March 31, 2005: Rs. Nil).

	As on 31.03.2006	*As on 31.03.2005*
SCHEDULE 12 — CONTINGENT LIABILITIES		
I. Claims against the Bank not acknowledged as debts	29,879,081	*27,532,692*
II. Liability for partly paid investments	168,472	*168,396*
III. Liability on account of outstanding forward exchange contracts	919,149,224	*714,653,064*
IV. Guarantees given on behalf of constituents		
a) In India	170,959,502	*141,495,318*
b) Outside India	20,488,570	*16,095,087*
V. Acceptances, endorsements and other obligations	110,082,608	*74,115,736*
VI. Currency swaps	197,909,516	*112,834,926*
VII. Interest rate swaps, currency options and interest rate futures	2,852,269,039	*1,793,399,905*
VIII. Other items for which the Bank is contingently liable	61,410,349	*80,718,484*
TOTAL CONTINGENT LIABILITIES	4,362,316,361	*2,961,013,608*

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

	Year ended 31.03.2006	*Year ended 31.03.2005*
SCHEDULE 13 — INTEREST EARNED		
I. Interest/discount on advances/bills	**101,142,652**	*69,811,266*
II. Income on investments	**40,607,809**	*23,921,900*
III. Interest on balances with Reserve Bank of India and other inter-bank funds	**3,433,183**	*2,334,833*
IV. Others [1]	**958,247**	*2,269,570*
TOTAL INTEREST EARNED	**146,141,891**	*98,337,569*

1. Includes interest on income tax refunds of Rs. 415.6 million (March 31, 2005: Rs. 307.4 million).

	Year ended 31.03.2006	*Year ended 31.03.2005*
SCHEDULE 14 — OTHER INCOME		
I. Commission, exchange and brokerage	**32,546,535**	*20,751,386*
II. Profit/(loss) on sale of investments (net)	**10,988,676**	*7,560,301*
III. Profit/(loss) on revaluation of investments (net)	**(504,461)**	*145,644*
IV. Profit/(loss) on sale of land, buildings and other assets (net)[1]	**51,832**	*(9,232)*
V. Profit/(loss) on foreign exchange transactions (net)	**4,451,911**	*2,781,079*
VI. Income pertaining to insurance business	**59,353,279**	*35,354,556*
VII. Miscellaneous income (including lease income)	**4,581,256**	*4,392,606*
TOTAL OTHER INCOME	**111,469,028**	*70,976,340*

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

	Year ended 31.03.2006	*Year ended 31.03.2005*
SCHEDULE 15 — INTEREST EXPENDED		
I. Interest on deposits	**59,590,224**	*32,622,753*
II. Interest on Reserve Bank of India/inter-bank borrowings[1]	**11,888,142**	*4,047,872*
III. Others (including interest on borrowings of erstwhile ICICI Limited)	**29,536,430**	*31,373,162*
TOTAL INTEREST EXPENDED	**101,014,796**	*68,043,787*

1. Includes interest paid on inter-bank deposits.

	Year ended 31.03.2006	*Year ended 31.03.2005*
SCHEDULE 16 — OPERATING EXPENSES		
I. Payments to and provisions for employees	**17,112,066**	*10,907,630*
II. Rent, taxes and lighting	**3,036,174**	*2,465,214*
III. Printing and stationery	**1,421,619**	*1,052,945*
IV. Advertisement and publicity	**3,066,259**	*1,837,990*
V. Depreciation on Bank's property (including non-banking assets)	**3,908,328**	*3,283,466*
VI. Depreciation (including lease equalisation) on leased assets	**2,771,014**	*2,974,662*
VII. Directors' fees, allowances and expenses	**14,523**	*13,749*
VIII. Auditors' fees and expenses	**43,356**	*36,352*
IX. Law charges	**298,817**	*338,794*
X. Postages, telegrams, telephones, etc.	**2,825,681**	*2,216,732*
XI. Repairs and maintenance	**3,329,657**	*2,550,917*
XII. Insurance	**298,979**	*186,633*
XIII. Direct marketing agency expenses	**6,695,874**	*5,064,388*
XIV. Expenses pertaining to insurance business	**52,038,232**	*32,042,377*
XV. Other expenditure	**12,270,270**	*7,884,743*
TOTAL OPERATING EXPENSES	**109,130,849**	*72,856,592*

	Year ended 31.03.2006	*Year ended 31.03.2005*
SCHEDULE 17 — PROVISIONS AND CONTINGENCIES		
I. Income tax		
- Current period tax	**8,177,377**	*2,522,096*
- Deferred tax adjustment	**(1,595,191)**	*3,131,712*
- Fringe Benefit Tax	**385,749**	*—*
II. Wealth tax	**30,063**	*30,009*
III. Provision for investments (including credit substitutes) (net)	**8,156,314**	*5,433,165*
IV. Provision for advances (net)[1]	**8,117,173**	*(889,859)*
V. Others	**203,564**	*85,984*
TOTAL PROVISIONS AND CONTINGENCIES	**23,475,049**	*10,313,107*

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

SCHEDULE 18

Significant accounting policies and notes to accounts

Overview

ICICI Bank Limited ("ICICI Bank" or "the Bank") together with its subsidiaries, joint ventures and associates (collectively, "the Company") is a diversified financial services group providing a wide range of banking and financial services including retail banking, project and corporate finance, working capital finance, insurance, venture capital and private equity, investment banking, broking and treasury products and services.

The Bank was incorporated in Vadodara, India and is a publicly held banking company governed by the Banking Regulation Act, 1949.

Principles of consolidation

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

The Company consolidates subsidiaries in which it holds, directly or indirectly, more than 50% of the voting rights or where it exercises control. Entities where the Company holds 20% to 50% of the voting rights and /or has the ability to exercise significant influence, other than investments of designated venture capital subsidiaries, are accounted for under the equity method of accounting, and the pro-rata share of their income / (loss) is included in the profit and loss account. Assets, liabilities, income and expenditure of the jointly controlled entities are consolidated using the proportionate consolidation method. Under the proportionate consolidation method the Company's share of each of the assets, liabilities, income and expenses of a jointly controlled entity is reported as separate line items in the consolidated financial statements. The total assets at March 31, 2006 and total income for the year ended March 31, 2006 of the entities consolidated by the proportionate consolidation method was Rs. 39.7 million and Rs. 3.7 million respectively The Company does not consolidate entities where control is intended to be temporary. All significant inter-company accounts and transactions are eliminated on consolidation.

Basis of preparation

The accounting and reporting policies of the Company used in the preparation of these consolidated financial statements reflect general industry practices and conform with the generally accepted accounting principles in India (Indian GAAP) including the extant Accounting Standards ("AS") issued by Institute of Chartered Accountants of India ("ICAI"), guidelines issued by Reserve Bank of India ("RBI"), Insurance Regulatory and Development Authority ("IRDA") and National Housing Bank ("NHB") as applicable to relevant companies.

The Company 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 the Bank, the same have been disclosed separately.

The preparation of consolidated financial statements requires management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the consolidated financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in the preparation of the consolidated financial statements are prudent and reasonable. Actual 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	Activity	Ownership interest
1	ICICI Securities Limited	India	Subsidiary	Investment banking	99.90%
2	ICICI Brokerage Services Limited	India	Subsidiary	Securities broking	99.90%
3	ICICI Securities Inc.	USA	Subsidiary	Investment banking & securities broking	99.90%
4	ICICI Securities Holdings Inc.	USA	Subsidiary	Investment banking	99.90%
5	ICICI Venture Funds Management Company Limited	India	Subsidiary	Venture fund management	100.00%
6	ICICI Home Finance Company Limited	India	Subsidiary[1]	Housing finance	100.00%
7	ICICI Trusteeship Services Limited	India	Subsidiary	Trusteeship services	100.00%
8	ICICI Investment Management Company Limited	India	Subsidiary	Investment management	100.00%
9	ICICI International Limited	Mauritius	Subsidiary	Offshore fund management	100.00%
10	ICICI Bank UK Limited	United Kingdom	Subsidiary	Banking	100.00%
11	ICICI Bank Canada	Canada	Subsidiary	Banking	100.00%
12	ICICI Bank Eurasia Limited Liability Company (formerly Investment Credit Bank Limited Liability Company)	Russia	Subsidiary[2]	Banking	100.00%
13	ICICI Property Trust	India	Direct holding	Assets and investments management	100.00%

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

Sr. No.	Name of the company	Country/ residence	Relation	Activity	Ownership interest
14	ICICI Eco-net Internet & Technology Fund	India	Direct holding	Venture capital fund	92.03%
15	ICICI Equity Fund	India	Direct holding	Venture capital fund	100.00%
16	ICICI Emerging Sectors Fund	India	Direct holding	Venture capital fund	98.85%
17	ICICI Strategic Investments Fund	India	Direct holding	Venture capital fund	100.00%
18	ICICI Prudential Life Insurance Company Limited	India	Jointly controlled entity[3]	Life insurance	74.00%
19	ICICI Lombard General Insurance Company Limited	India	Jointly controlled entity[3]	General insurance	74.00%
20	Prudential ICICI Asset Management Company Limited	India	Subsidiary[4]	Asset management company for Prudential ICICI Mutual fund	50.99%
21	Prudential ICICI Trust Limited	India	Subsidiary[4]	Trustee company for Prudential ICICI Mutual fund	50.80%
22	TCW/ICICI Investment Partners LLC.	Mauritius	Jointly controlled entity[5]	Asset and fund management company	50.00%
23	TSI Ventures (India) Private Limited	India	Jointly controlled entity[5]	Real estate consultant	50.00%

1. Effective August 11, 2005, ICICI Distribution Finance Private Limited has merged with ICICI Home Finance Company Limited. Consequent to the merger ICICI Distribution Finance Private Limited ceases to be a subsidiary of the Bank.
2. ICICI Bank Eurasia Limited Liability Company (formerly Investment Credit Bank Limited Liability Company) has become a subsidiary of ICICI Bank Limited with effect from May 19, 2005, being the date of its acquisition.
3. Since the year ended March 31, 2005, the financial statements of these 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".
4. Effective August 26, 2005, Prudential ICICI Asset Management Company Limited and Prudential ICICI Trust Limited have become subsidiaries of the Bank. Therefore, these entities have been fully consolidated instead of the proportionate consolidation method.
5. This investment is accounted as per the proportionate consolidation method.

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 RBI for cancellation of its non-banking financial company certificate. The RBI vide its order dated December 27, 2004 has, cancelled as surrendered, the certificate of registration granted to IVFMCL. 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 has been included as a part of revenue and other reserves.

Equity issue of ICICI Bank Limited

During the year ended March 31, 2006, the Bank raised equity capital amounting to Rs. 80,006.1 million. The expenses of the issue amounting to Rs. 874.1 million have been charged to the share premium account. The details of the equity capital raised are given in the table below.

Rupees in million except per share data

Details	No. of equity shares	Amount of share premium	Aggregate proceeds
Fully paid equity shares of Rs. 10 each at a premium of Rs. 515 per share	67,787,322	34,910.5	35,588.3
Fully paid equity shares of Rs. 10 each at a premium of Rs. 488.75 per share[1]	28,894,060	14,122.0	14,410.9
18,618,730 American Depository Share ("ADS") at a price of US$ 26.75 per share [2]	37,237,460	22,134.6	22,506.9
Fully paid equity shares of Rs. 10 each issued by exercise of the green shoe option	14,285,714	7,357.1	7,500.0
TOTAL	**148,204,556**	**78,524.2**	**80,006.1**

1. Unpaid calls of Rs. 0.3 million (Unpaid share premium Rs. 92.4 million).
2. Includes green shoe option of 2,428,530 ADSs.

During the year ended March 31, 2005, the Bank issued 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.

During the year ended March 31, 2005, ICICI Bank had sponsored American Depository 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). Pursuant to this offering, existing outstanding equity shares were exchanged for newly issued ADSs and accordingly the offering did not result in an increase in share capital of the Bank.

A. SIGNIFICANT ACCOUNTING POLICIES

1. Foreign currency transactions

The consolidated financial statements are reported in Indian rupees (Rs.), the national currency of India. Foreign currency income and expenditure items are translated as follows:

a. For domestic operations at the exchange rates prevailing on the date of the transaction with the resultant gain or loss accounted for in the profit and loss account;

b. For integral foreign operations (representative offices), at weekly average closing rate with the resultant gain or loss accounted for in the profit and loss account. AS 11 (revised) on "The effects of changes in foreign exchange rates" issued by the ICAI defines an integral foreign operation as a subsidiary, associate, joint venture or branch of the reporting enterprise, the activities of which are based or conducted in a country other than the country of the reporting enterprise but are an integral part of the reporting enterprise;

c. For non-integral foreign operations (foreign branches and off-shore banking units), at quarterly average closing rate with the resultant gains or losses accounted for as foreign currency translation reserve.

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.

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 profit/loss on exchange differences are accumulated in the foreign currency translation reserve until the disposal of the net investment in the non-integral foreign operations.

Outstanding forward exchange contracts 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.

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

2. Revenue recognition

Interest income on loans and advances is accounted on an accrual basis except in the case of loan exposures classified as non-performing assets ("NPAs") or bad and doubtful loans where it is recognised, on a cash basis, as per the prudential norms of RBI.

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.

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

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 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 outstanding in respect of finance lease. The principal amount is recognised as repayment of advances and the finance income is reported as interest income. Income on discounted instruments is recognised over the tenure of the instrument on a constant yield basis.

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

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

In case of investment banking subsidiary, fees from issue management, loan syndication, financial advisory services and trusteeship fees are recognised based on the stage of completion of assignments and terms of agreement with the client.

Fees received by the Company's Canadian subsidiary, from its commercial clients for term loans, demand loans, mortgages and operating lines of credit are deferred and recognised over the term of a loan. Upon approval of the credit facility, fee income is amortised over the term of the loan, except for demand loans, which are amortised over a 12-month period. Non-refundable loan fees received from commercial clients are accounted immediately if the credit facility is not approved.

All other fee income is recognised upfront on its becoming due except for fees for guarantees which are amortised over the contracted period of the commitment.

Net income arising from sell down of loan assets is recognised upfront in interest income. With effect from February 1, 2006, in accordance with new guidelines issued by RBI, net income arising from securitisation of loan assets is amortised over the life of securities issued or to be issued by the special purpose vehicle/special purpose entity to which the assets are sold.

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 mobilisation and terms of agreement with the client. The Bank follows trade date method for accounting of its investments.

Life 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 and mortality charges is recovered from the linked fund in accordance with the terms and conditions of the policy and is accounted on 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.

General insurance premium is recognised as income over the period of risk or the contract period based on 1/365 method, 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 are recognised in the period in which it is cancelled. Commission on reinsurance business is recognised as income in the period of ceding the risk. Profit commission under re-insurance treaties is recognised as income in the period of determination of profits.

Insurance premium on ceding of the risk is recognised in the period in which the risk is ceded. Any subsequent revision to premium ceded is recognised in the period of such revision. Adjustment to reinsurance premium arising on cancellation of policies is recognised in the period 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.

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.

3. Stock based compensation

The Company uses the intrinsic value based method as prescribed by the guidance note on 'Accounting for Stock Options" issued by ICAI to account for its stock-based employees compensation plans. Compensation cost for fixed and variable stock-based awards is measured by the excess, if any, of the fair market price of the underlying stock over the exercise price. Compensation for fixed awards is measured at the grant date while compensation costs for variable awards is estimated until the number of shares an individual is entitled to receive and the exercise price are known (measurement date).

4. Income taxes

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

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 bases 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 certain. Deferred tax assets are recognised on carry forward of unabsorbed depreciation, tax losses and carry forward capital losses only if there is virtual certainty that such deferred tax asset can be realised against future profits.

During the year ended March 31, 2006 the Bank has created a deferred tax asset on carry forward capital losses based on its firm plan, that sufficient future taxable income will be available against which the loss can be set off.

Deferred tax assets and liabilities are computed at individual company level and aggregated for consolidated reporting.

5. 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/co-insurers) are recognised on the date of intimation of the loss. Estimated liability for outstanding claims at the 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 the Company 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.

Claims 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. Liability for claims IBNR/ claims IBNER is 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.

6. 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.

7. 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 on contract period basis or risk period basis, whichever is appropriate. It is calculated on a daily pro-rata basis subject to a minimum of 50% of the premium, written during the 12 months preceding the balance sheet date for fire, marine, cargo and miscellaneous business and 100% for marine hull business, in accordance with the provisions of the Insurance Act, 1938.

8. 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.

The interest rates used for valuing the liabilities are in the range of 4.7% to 10.0% per annum (Previous year – 4.0% to 10.0% per annum).

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. Expenses are provided for at long term expected renewal expense levels.

Unearned premium reserves are held for the unexpired portion of the risk for the general fund liabilities of linked business and riders thereunder and one year renewable group term insurance.

The unit liability in respect of linked business has been taken as the value of the units standing to the credit of policyholders, using the net asset value (NAV) prevailing at the valuation date. The adequacy of charges under unit-linked policies to meet future expenses has been tested and provision made as appropriate. Provision has also been made for the cost of guarantee under unit-linked products that carry a guarantee.

9. Acquisition costs for insurance business

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

10. Staff retirement benefits

ICICI Bank is required to pay gratuity to employees who retire or resign after at least five years of continuous service. ICICI Bank makes contributions to three separate gratuity funds, for employees inducted from erstwhile ICICI, employees inducted from erstwhile Bank of Madura and employees of ICICI Bank other than employees inducted from erstwhile ICICI and erstwhile Bank of Madura.

The gratuity funds for employees inducted from erstwhile ICICI and erstwhile Bank of Madura are separate gratuity funds managed by ICICI Prudential Life Insurance Company. Actuarial valuation of the gratuity liability is determined by an actuary appointed by ICICI Prudential Life Insurance Company. The investments of the funds are made according to rules prescribed by the Government of India. The accounts of the funds are audited by independent auditors.

The gratuity fund for employees of ICICI Bank other than employees inducted from erstwhile ICICI and erstwhile Bank of Madura is administered by the Life Insurance Corporation of India. In accordance with the gratuity fund's rules, actuarial valuation of gratuity liability is calculated based on certain assumptions regarding rate of interest, salary growth, mortality and staff turnover.

ICICI Bank contributes 15.0% of the total annual salary of each employee to a superannuation fund for ICICI Bank employees. ICICI Bank's employees get an option on retirement or resignation to receive one-third of the total balance and a monthly pension based on the remaining two-third balance. In the event of death of an employee, his or her beneficiary receives the remaining accumulated balance of 66.7%. ICICI Bank also gives a cash option to its employees, allowing them to receive the amount contributed by ICICI Bank in their monthly salary during their employment.

Untill March 31, 2005, the superannuation fund was solely administered by the Life Insurance Corporation of India. Subsequent to March 31, 2005, the fund is being administered by both Life Insurance Corporation of India and ICICI Prudential Life Insurance Company Limited. Employees have the option to retain the existing balance with Life Insurance Corporation of India or seek a transfer to ICICI Prudential Life Insurance Company.

ICICI Bank is statutorily required to maintain a provident fund as a part of its retirement benefits to its employees. There are separate provident funds for employees inducted from erstwhile Bank of Madura (other than those employees who have opted for pensions), and for other employees of ICICI Bank. These funds are managed by in-house trustees. Each employee contributes 12.0% of his or her basic salary (10.0% for clerks and sub-staff of erstwhile Bank of Madura) and ICICI Bank contributes an equal amount to the funds. The investments of the funds are made according to rules prescribed by the Government of India. The accounts of the funds are audited by independent auditors.

In respect of other entities within the group, retirement benefits in the form of provident fund and other defined contribution schemes, the contribution payable by the Company for the year is charged to the profit and loss account for that year. In respect of gratuity benefit and other benefit schemes, where the Company makes payments for retirement benefits out of its own funds, provisions are made in the profit and loss account based on actuarial valuation. In cases where the liability for retirement benefits is funded through a scheme administered by an insurer, the contributions payable during the year to the insurer is charged to the profit and loss account for that year.

11. Accounting for contingencies

The Company 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 consolidated 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 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 consolidated financial statements. In case of remote possibility neither provision nor disclosure is made in the consolidated financial statements.

12. 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.

13. Investments

Investments of the Bank are accounted for in accordance with the extant RBI guidelines on investment classification and valuation as given below:

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

The market/fair value of unquoted statutory liquidity ratio (SLR) securities included in the 'Available for Sale' and 'Held for 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, if any, in each basket, being unrealised, is ignored, while net depreciation is provided for.

d) Costs including brokerage and commission pertaining to investments, paid at the time of acquisition, are charged to the profit and loss account.

e) Profit on sale of investments in the 'Held to Maturity' category is credited to the profit and loss account and is thereafter appropriated (net of applicable taxes and statutory reserve requirements) to capital reserve.

f) At the end of each reporting period, security receipts issued by the asset reconstruction company are valued in accordance with the guidelines prescribed by RBI. Accordingly, as 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 considers the Net Asset Value ("NAV"), obtained from the asset reconstruction company, for valuation of such investments at each reporting period end.

The Company's venture capital funds carry their investments at fair values, with unrealised gains and temporary losses on investments recognised as components of investors' equity and accounted for in unrealised investment reserve account included in the investment fluctuation reserve. The realised gains and losses on investments and units in mutual funds and unrealised gains or losses on restatement of units in mutual funds are accounted for in the profit and loss account. The cost of investments sold is determined on weighted average basis and the cost of units in mutual funds sold is determined on first-in, first-out basis for the purpose of calculating gains or losses on sale. Provisions are made in respect of accrued income considered doubtful. Such provisions as well as any subsequent recoveries are recorded through the profit and loss account. Subscriptions to/purchase of investments are accounted at the cost of acquisition inclusive of brokerage, commission and stamp duty. Bonus shares and right entitlements are recorded when such benefits are known. 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 at their estimated fair values by applying appropriate valuation methods. 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 profit and loss account during the period in which such decline is identified.

The Company's investment banking subsidiary classifies its investments as short-term and trading or as long-term investments. The securities held with the intention of holding for short-term and trading are classified as stock in trade and the securities acquired with the intention of holding till maturity or for a longer period are classified as long-term investments. The securities held as stock in trade are valued at lower of cost arrived at on weighted average basis or market / fair value and long-term investments are carried at cost arrived at 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.

The Company's housing finance subsidiary classifies its investments as current investments and long-term investments. 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 the lower of cost or the market value. All other investments are classified as long-term investments, which are carried at cost. However a provision for diminution in value is made to recognise any other than temporary decline in the value of investments. Costs such as brokerage, commission etc. paid at the time of acquisition of investments are included in investment cost.

In case of the Company's UK banking subsidiary, premium or discount on investments intended to be held on a continuous basis, are amortised on an effective interest rate basis through the profit and loss account over the period to maturity.

The Company's Canadian banking subsidiary classifies its 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 predetermined period of time, which may be sold in response to changes in investment objectives arising from changing market conditions or to meet the liquidity requirements.

The Company's life insurance subsidiary values its investments in real estate at historical cost subject to provision for impairment, if any. Revaluation of investments in real estate is done at least once in every three years.

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

The Bank follows the RBI norms for income recognition and asset classification. Accordingly, all loan exposures are classified into performing and non-performing assets ('NPA'). NPAs of the Bank 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 prescribed by RBI. Loss assets and unsecured portion of doubtful assets are provided/written off as per the extant RBI guidelines. RBI norms also allow banks to create additional floating provisions over and above the specific provisions. The additional floating provisions are in general based on losses anticipated by the Bank on historical loss experiences or expected anticipated losses in certain loans. For restructured/rescheduled assets, provision is made by the Bank in accordance with the guidelines issued by RBI, which requires the present value of the interest sacrifice be provided at the time of restructuring.

In the case of NPAs other than restructured NPA accounts, the account is reclassified as "standard" account if arrears of interest and principal are fully paid by the borrower. In respect of NPA accounts subjected to restructuring, the account is reclassified as "standard" account if the borrower demonstrates, over a minimum period of one year, the ability to repay the loan in accordance with the contractual terms.

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. In addition to the specific provision on NPAs, the Bank maintains a general provision on performing loans. The general provision meets the requirements of the RBI guidelines.

In addition to the provisions required to be held according to the asset classification status, provisions are held by the Bank 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.

In the case of the investment-banking subsidiary, the policy of provisioning against NPAs is as per the prudential norms prescribed by the RBI for non-banking financial companies. As per the policy adopted, the provision against sub-standard assets are determined, taking into account management's perception of the higher risk associated with the business of the company. Certain NPAs are considered as loss assets and full provision has been made against such assets.

In case of the housing finance subsidiary, loans and other credit facilities are classified as per the NHB guidelines into performing and non-performing assets. Further, NPAs are classified into sub-standard, doubtful and loss assets based on criteria stipulated by NHB.

In the case of the Canadian subsidiary, loans are stated net of 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 are not yet identifiable.

15. Transfer and servicing of financial assets

The Company transfers commercial and consumer loans through securitisation transactions. The transferred loans are de-recognised and gains / losses are recorded only if the Company 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 are 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.

During the year, RBI has issued specific guidelines on securitisation of standard assets. Accordingly, with effect from February 1, 2006, the Bank accounts for any loss arising on securitisation in the profit & loss account immediately at the time of securitisation. Profit / premium, if any, arising on account of securitisation is amortised over the life of the securities issued or to be issued by the Special Purpose Vehicle (SPV).

16. Fixed assets and depreciation

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, except for those relating to venture capital, investment banking and asset management subsidiaries where depreciation is charged on a written down value 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 given below:

Asset	Depreciation rate
Premises owned by the Bank	1.63%
ATMs	12.50%
Plant and machinery like air conditioners, xerox machines, etc.	10.00%
Furniture and fixtures	15.00%
Motor vehicles	20.00%
Computers	33.33%
EDC terminals	16.67%
Others (including software and system development expenses)	25.00%

Cost comprises the purchase price and any cost attributable to bring the asset to working condition for its intended use.

Depreciation on leased assets and improvement to leasehold premises 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 of the Companies Act, 1956.

Assets purchased/sold during the year are depreciated on the basis of actual number of days the asset has been put to use.

Items costing less than Rs. 5,000 are depreciated fully over a period of 12 months from the date of purchase.

In case of the venture capital subsidiary depreciation on assets, other than leased assets, is charged on written down value method at the rates and in the manner prescribed under Schedule XIV to the Companies Act, 1956.

In case of investment banking subsidiary, 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. A membership right of the stock exchange is treated as an asset and the value paid to acquire such rights is amortised over a period of 10 years.

In case of the asset management subsidiary, 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 management.

In case of the overseas banking subsidiaries, fixed assets other than leasehold improvements are depreciated using straight-line method over the estimated useful lives of the assets as estimated by management. In case of the Canadian subsidiary, depreciation on furniture & fixtures is charged @ 20% per annum.

In case of the life insurance subsidiary, assets costing upto Rs. 20,000 are fully depreciated in the year of acquisition. Intangible assets comprising software are stated at cost less amortisation. Significant improvements to software are capitalised while the insignificant improvements are charged off as software expenses. Software expenses are amortised on straight-line method over a period of three years from the date they are put to use, being management's estimate of the useful life of such intangibles. Depreciation on furniture & fixtures is charged @ 25% per annum.

In case of the general insurance subsidiary, computer software are stated at cost less amortisation. Computer software including improvements is amortised over a period of five years, being management's estimate of the useful life of such intangibles.

In case of housing finance subsidiary, depreciation on computer software is provided @ 20% per annum.

17. Accounting for derivative contracts

The Company 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 in accordance with RBI guidelines.

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.

During the year the Bank changed its method for testing hedge effectiveness from the price value of basis point ("PVBP") or duration method to the marked to market method. Due to this change certain derivative contracts, which were hitherto accounted for as hedges, became ineffective and were accordingly accounted for as trading.

18. 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 recognised is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

19. Earnings per share ("EPS")

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

B. NOTES FORMING PART OF THE ACCOUNTS

1. Earnings per share ("EPS")

The Company 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 attributable to equity shareholders 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

	Year ended March 31, 2006	*Year ended March 31, 2005*
Basic		
Weighted average no. of equity shares outstanding	**781,693,773**	*727,728,042*
Net profit	**24,200.9**	*18,523.3*
Basic earnings per share (Rs.)	**30.96**	*25.45*
Diluted		
Weighted average no. of equity shares outstanding	**789,963,635**	*733,720,485*
Net profit	**24,200.9**	*18,523.3*
Diluted earnings per share (Rs.)	**30.64**	*25.25*
Nominal value per share (Rs.)	**10.0**	*10.0*

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

2. Related party transactions

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

Lease of premises and facilities

During the year ended March 31, 2006, the Company charged for lease of premises, facilities and other administrative costs to joint ventures amounting to Rs. Nil (March 31, 2005: Rs. 3.4 million).

Interest received

During the year ended March 31, 2006 the Company received interest from its Key management personnel[1] amounting to Rs. 0.5 million (March 31, 2005: Rs. 0.3 million).

Interest paid

During the year ended March 31, 2006, the Company paid interest to joint ventures amounting to Rs. Nil (March 31, 2005: Rs. 18.9 million).

Remuneration to whole-time directors

Remuneration paid to the whole-time directors of the Bank during the year ended March 31, 2006 was Rs. 75.9 million (March 31, 2005: Rs. 60.5 million).

Sale of investments

During the year ended March 31, 2006, the Company sold certain investments to joint ventures amounting to Rs. Nil (March 31, 2005: Rs. 3,637.3 million). On the sales made to joint ventures the Bank accounted for a loss of Rs. Nil (March 31, 2005: Rs. 14.6 million).

Purchase of investments

During the year ended March 31, 2006, the Company purchased certain investments from its joint ventures amounting to Rs. 20.2 million (March 31, 2005: Rs. 5,001.2 million).

Custodial charges received

During the year ended March 31, 2006, the Company received custodial charges from its joint ventures amounting to Rs. Nil (March 31, 2005: Rs. 1.7 million).

Fees

During the year ended March 31, 2006, the Company received cash management services fees from its joint ventures amounting to Rs. Nil (March 31, 2005: Rs. 14.5 million).

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

Related party balances

The following balances payable to/receivable from the related parties are included in the balance sheet as on March 31, 2006:

Rupees in million

Items/Related Party	Joint Ventures and Associates	Key Management Personnel [1]	Total
Deposits with ICICI Bank	5.3	24.9	30.2
Advances	Nil	15.4	15.4
Investments of ICICI Bank	33.5	Nil	33.5
Investments of related parties in ICICI Bank	Nil	4.3	4.3
Receivables	Nil	Nil	Nil
Payables	Nil	Nil	Nil

The following balances represent the maximum balance payable to/receivable from related parties during the period ended March 31, 2006:

Rupees in million

Items/Related Party	Joint Ventures and Associates	Key Management Personnel [1]	Total
Deposits with ICICI Bank	22.4	46.1	68.5
Advances	Nil	21.2	21.2
Investments of ICICI Bank	33.5	Nil	33.5
Investments of related parties in ICICI Bank	Nil	4.4	4.4
Receivables	Nil	Nil	Nil
Payables	Nil	Nil	Nil

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 [1]	Total
Deposits with ICICI Bank	2.0	37.1	39.1
Advances	0.9	19.1	20.0
Investments of ICICI Bank	67.1	Nil	67.1
Investments of related parties in ICICI Bank	Nil	2.3	2.3
Receivables	Nil	Nil	Nil
Payables	Nil	Nil	Nil

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 [1]	Total
Deposits with ICICI Bank	64.5	196.1	260.6
Advances	0.9	19.1	20.0
Investments of ICICI Bank	67.1	Nil	67.1
Investments of related parties in ICICI Bank	Nil	2.3	2.3
Receivables	Nil	Nil	Nil
Payables	Nil	Nil	Nil

1. Whole- time directors of the Board and their relatives.

Joint ventures and associates

For the year ended March 31, 2006, TCW/ICICI Investment Partners LLC and TSI Ventures (India) Private Limited have been classified as joint ventures. For the period ended March 31, 2005, Prudential ICICI Asset Management Company Limited and Prudential ICICI Trust Limited have been classified as joint ventures. These entities have been accounted as "subsidiaries" as defined in AS 21 "Consolidated Financial Statement" in the current financial year.

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, 17,362,584 options (March 31, 2005: 18,215,335 options) granted to eligible employees were outstanding at March 31, 2006.

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

	Stock options outstanding	
	Year ended March 31, 2006	*Year ended March 31, 2005*
Outstanding at the beginning of the year	**18,215,335**	*15,964,982*
Add: Granted during the year	**4,981,780**	*7,554,500*
Less: Forfeited/lapsed during the year	**931,280**	*846,496*
Exercised during the year	**4,903,251**	*4,457,651* [1]
Outstanding at the end of the year	**17,362,584**	*18,215,335*

1. Excludes options exercised but not allotted.

4. Fixed Assets

Fixed assets include certain softwares acquired by the Company. The movement in software assets is given below:

Rupees in million

Particulars	**As on March 31, 2006**	*As on March 31, 2005*
At cost as on March 31 of preceding period	**2,784.4**	*2,381.0*
Additions during the year	**615.1**	*462.2*
Deductions during the year	**(52.5)**	*(58.8)*
Depreciation/amortisation to date	**(2,274.2)**	*(1,557.3)*
Net Block	**1,072.8**	*1,227.1*

5. Assets given under lease

5.1 Assets given under operating lease

The future lease rental are given in the table below:

Rupees in million

Period	March 31, 2006	March 31, 2005
Not later than one year	**128.2**	*239.2*
Later than one year and not later than five years	**605.9**	*1,001.8*
Later than five years	**2.0**	*311.2*
Total	**736.1**	*1,552.2*

5.2 Assets taken under operating lease

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

Rupees in million

Period	March 31, 2006	March 31, 2005
Not later than one year	**614.7**	*369.5*
Later than one year and not later than five years	**1,976.1**	*1,386.4*
Later than five years	**806.7**	*586.4*
Total	**3,397.5**	*2,342.3*

5.3 Assets given under finance lease

The future lease rentals are given below:

Rupees in million

Period	March 31, 2006	March 31, 2005
Total of future minimum lease payments	**817.1**	*1,105.5*
Present value of lease payments	**695.1**	*913.6*
Un-matured finance charges	**122.0**	*191.9*
Maturity profile of total of future minimum lease payments		
Not later than one year	**232.4**	*293.3*
Later than one year and not later than five years	**584.7**	*804.5*
Later than five years	**—**	*7.7*
Total	**817.1**	*1,105.5*

Maturity profile of present value of lease payments

Rupees in million

	March 31, 2006	March 31, 2005
Not later than one year	**176.7**	*222.8*
Later than one year and not later than five years	**518.4**	*683.3*
Later than five years	**—**	*7.5*
Total	**695.1**	*913.6*

6. 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 is 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, 2005: Rs. 384.0 million) has been charged to revenue being the proportionate amount amortised for the year ended March 31, 2006.

7. Preference shares

The Bank had issued preference shares with a face value of Rs. 3,500.0 million during the year ended March 31,1998 under the scheme of business combination of ITC Classic Finance Limited with erstwhile ICICI Limited. These preference shares bear a dividend yield of 0.001% and is redeemable at face value after 20 years. Certain government securities amounting to Rs. 2,001.1 million (March 31, 2005: Rs. 1,952.3 million) have been earmarked against redemption of these preference shares.

Banks in India are generally not allowed to issue preference shares. However, the Company has been currently exempted from this restriction.

8. Transfer to Investment Fluctuation Reserve

An amount of Rs. 2,143.4 million, being the excess balance in Investment Fluctuation Reserve (IFR) account over the regulatory requirement was transferred to general reserve account during the year ended March 31, 2005. RBI has subsequently instructed that this amount should be retained in IFR account itself. Accordingly, the said amount was transferred back to IFR account from the general reserve account in the first quarter of the year ended March 31, 2006, making IFR account balance Rs. 7,303.4 million.

RBI required banks to create IFR aggregating to 5% of their investments in fixed income securities (in AFS and Trading Book) over a five-year period starting from March 31, 2002. Accordingly a further amount of Rs. 5,900.0 million was transferred to IFR during the year ended March 31, 2006, making the IFR account balance Rs. 13,203.4 million. RBI has vide its circular DBOD.No.BP.BC.38/21.04.141/2005-06 dated October 10, 2005 permitted banks that have maintained capital of at least 9% of the risk weighted assets for both credit risk and market risk for both held for trading and available for sale categories of investments as on March 31, 2006, to transfer the balance in the IFR 'below the line' in the profit and loss appropriation account to statutory reserve, general reserve or balance of profit & loss account.

Pursuant to the above, the entire IFR account balance of Rs. 13,203.4 million has been transferred from IFR to revenue and other reserves.

9. Deferred tax

As on March 31, 2006, the Company has recorded net deferred tax asset of Rs. 2,467.9 million (March 31, 2005: Rs. 702.2 million).

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

Rupees in million

Particulars	**As on March 31, 2006**	*As on March 31, 2005*
Deferred tax asset		
Provision for bad and doubtful debts	**6,553.8**	*7,285.5*
Capital loss	**950.0**	—
Others	**1,426.0**	*1,076.6*
	8,929.8	*8,362.1*
Less : Deferred tax liability		
Depreciation on fixed assets	**6,709.7**	*7,561.1*
Others	**—**	*221.6*
	6,709.7	*7,782.7*
Add: Deferred tax asset pertaining to foreign branches /subsidiaries	**247.8**	*122.8*
Total net Deferred Tax Asset/(Liability)	**2,467.9**	*702.2*

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

During the year ended March 31, 2006, the Bank has created a deferred tax asset on carry forward capital losses as based on its firm plans it is virtually certain that sufficient future taxable capital gains will be available against which the loss can be set off. Further, the life insurance subsidiary has created a deferred tax asset on carry forward unabsorbed losses amounting to Rs. 262.4 million (March 31, 2005: Rs.107.9 million) based on the virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

10. Other assets

a. Exchange fluctuation

Exchange fluctuation aggregating Rs. 25.0 million (March 31, 2005: Rs. 244.7 million), which arises on account of rupee-tying agreements with the Government of India, is held in "Rupee Determine Exchange Fluctuation 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. 71.6 million (debit) (March 31, 2005: Rs. 794.7 million (debit)), which arises out of conversion of foreign currency swaps, is held in "Swap suspense account" and will be reversed at conclusion of swap transactions with swap counter parties.

11. Information about business and geographical segments

The Group reports its operations into the following segments:

- **Consumer and commercial banking** comprises the retail and corporate banking operations of the Bank, ICICI Home Finance Company Limited, ICICI Bank UK Limited, ICICI Bank Canada and ICICI Bank Eurasia Limited Liability Company.
- **Investment banking** comprises 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 comprises of ICICI Lombard General Insurance Company Limited, ICICI Prudential Life Insurance Company Limited, Prudential ICICI Asset Management Company Limited, Prudential ICICI Trust Limited, ICICI Property Trust, ICICI Investment Management Company Limited, ICICI Trusteeship Services Limited, TCW/ICICI Investment Partners LLC and TSI Ventures (India) Private Limited.

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, 2006 and segmental profit & loss account for the year ended March 31, 2006 have been prepared.

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

Rupees in million

	Particulars	Consumer and commercial banking		Investment banking		Others		Total	
		For the year ended 31.03.06	*For the year ended 31.03.05*	For the year ended 31.03.06	*For the year ended 31.03.05*	For the year ended 31.03.06	*For the year ended 31.03.05*	For the year ended 31.03.06	*For the year ended 31.03.05*
1	Revenue (before extraordinary profit)	**151,950.1**	*108,779.9*	**53,425.6**	*32,599.2*	**63,152.8**	*37,037.6*	**268,528.5**	*178,416.7*
2	Less: Inter- segment revenue	—	—	—	—	—	—	**(10,917.6)**	*(9,102.8)*
3	Total revenue (1) -(2)	—	—	—	—	—	—	**257,610.9**	*169,313.9*
4	Operating profit (i.e. Profit before unallocated expenses, extraordinary profit, provision and tax)	**33,404.2**	*19,965.0*	**14,156.9**	*10,439.3*	**288.0**	*(1,606.8)*	**47,849.2**	*28,797.5*
5	Unallocated expenses	—	—	—	—	—	—	**384.0**	*384.0*
6	Provisions	**7,532.2**	*1,150.9*	**8,944.9**	*3,478.4*	**(210.7)**	*(422.9)*	**16,266.4**	*4,206.4*
7	Profit before tax (4)-(5)-(6)	**25,872.0**	*18,814.1*	**5,212.0**	*6,960.9*	**498.7**	*(1,183.9)*	**31,198.8**	*24,207.1*
8	Income tax expenses (net)/(net deferred tax credit)	—	—	—	—	—	—	**6,998.0**	*5,683.8*
9	Net Profit (7)-(8)	—	—	—	—	—	—	**24,200.8**	*18,523.3*
Other Information									
10	Segment assets	**1,802,556.0**	*1,118,447.3*	**824,793.1**	*588,286.8*	**110,734.9**	*47,778.4*	**2,738,084.0**	*1,754,512.5*
11	Unallocated assets	—	—	—	—	—	—	**31,776.0**	*28,915.3*
12	Total assets (10)+(11)	—	—	—	—	—	—	**2,769,860.0**	*1,783,427.8*
13	Segment liabilities	**2,080,899.1**	*1,353,714.3*	**584,579.5**	*389,689.1*	**104,381.4**	*40,024.4*	**2,769,860.0**	*1,783,427.8*
14	Unallocated liabilities	—	—	—	—	—	—	—	—
15	Total liabilities (13)+(14)	—	—	—	—	—	—	**2,769,860.0**	*1,783,427.8*

Geographical segments

The Group reports its operations under the following geographical segments.

a. Domestic Operations comprises branches and subsidiaries having operations in India.

b. Foreign Operations comprises branches and subsidiaries having operations outside India and offshore banking unit having operations in India.

Based on above segments the assets and revenue of the Bank for the year ended March 31, 2006 have been prepared.

Rupees in million

Sr. No.	Particulars	Domestic Operations	Foreign Operations	Total
1.	Revenue	243,570.9	14,040.0	257,610.9
2.	Assets	2,436,465.6	333,394.4	2,769,860.0

Hitherto the business operations of the Bank were largely concentrated in India. The assets and income from foreign operations were not significant to the overall consolidated operations of the Bank and have accordingly not been disclosed for the earlier comparative year.

12. Subvention income

The Bank has aligned its accounting policy for subvention income with its accounting policy for direct marketing agency/associate expenses. Accordingly, subvention income has been accounted for in the period in which it is received instead of over the period of the loan. As a result of the change in policy, the impact on profit after tax for the year ended March 31, 2006 is not expected to be significant.

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

13. Provision

RBI has increased the requirement of general provisioning on standard loans (excluding loans to agriculture sector and small and medium enterprises) to 0.40% compared to 0.25% earlier. In accordance with the revised guidelines on general provisioning on standard loans, the Bank has made general provision of Rs. 3,390.2 million during the year ended March 31, 2006. The Bank has reassessed its provision requirement on performing loans and non-performing loans on a portfolio basis during the year ended March 31, 2006. Based on this reassessment, the Bank has written back an amount of Rs. 1,692.2 million from its existing provisions against non-performing loans, which were in excess of regulatory requirements.

14. Depreciation on premises

In case of the Bank's venture fund management company, the company has revised the method of providing depreciation on premises taken on lease from written down value method to amortising the same on straight-line basis over lease period. As a result the depreciation for the year is higher by Rs. 2.96 million.

15. Penalties imposed by RBI

The RBI had imposed penalties (ranging from Rs. 0.5 million to Rs. 2.0 million) on certain banks including ICICI Bank on January 23, 2006 under Section 47A(1)(b) of the Banking Regulation Act, 1949. A penalty of Rs. 0.5 million (March 31, 2005: Rs. Nil) had been imposed on the Bank citing contravention of RBI instructions relating to opening of accounts, monitoring of transactions for adherence to Know Your Customer ("KYC")/Anti Money Laundering ("AML") norms, and non-adherence to normal banking practices.

16. Additional disclosure

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 statements in view of the general clarification issued by ICAI.

17. Comparative figures

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

Signatures to Schedules 1 to 18

For and on behalf of the Board of Directors

N. VAGHUL
Chairman

K. V. KAMATH
Managing Director & CEO

LALITA D. GUPTE
Joint Managing Director

KALPANA MORPARIA
Joint Managing Director

CHANDA D. KOCHHAR
Deputy Managing Director

NACHIKET MOR
Deputy Managing Director

Place : Mumbai
Date : April 29, 2006

VISHAKHA MULYE
Chief Financial Officer & Treasurer

JYOTIN MEHTA
General Manager & Company Secretary

RAKESH JHA
General Manager

Financial information of subsidiaries for the year ended March 31, 2006

Rupees in million

Particulars	ICICI Securities Limited	ICICI Brokerage Services Limited[2]	ICICI Securities Inc.[2]	ICICI Securities Holdings Inc.[2]	ICICI Home Finance Company Limited	ICICI Trusteeship Services Limited	ICICI Investment Management Company Limited	ICICI Venture Funds Management Company Limited	ICICI Prudential Life Insurance Company Limited	ICICI Lombard General Insurance Company Limited	ICICI International Limited[5]	ICICI Bank Eurasia Limited Liability Company[6 7]	ICICI Bank UK Limited[5]	ICICI Bank Canada[6]	Prudential ICICI Trust Limited[8]	Prudential ICICI Asset Management Company Limited[8]
Paid-up share capital [3]	1,658.8	45.0	491.2	522.3	2,987.5	0.5	100.0	10.0	11,850.0	2,450.0	40.2	492.4	8,253.8	2,846.5	1.0	180.2
Reserves	2,448.8	440.3	24.3	(3.6)	526.6	1.0	21.1	195.7	(6,914.1)	1,717.8	5.2	248.6	465.0	(567.3)	7.2	391.4
Total assets	16,422.4	1,665.8	992.1	522.5	40,811.6	2.0	124.6	718.1	92,255.0	16,390.9	45.7	966.8	90,979.6	28,172.9	12.2	1,185.7
Total liabilities (excluding Capital and reserves)	12,314.8	1,180.5	476.6	3.8	37,297.5	0.5	3.5	512.4	87,319.1	12,223.1	0.3	225.8	82,260.8	25,893.7	4.0	614.1
Investments (excluding investments in subsidiaries)	Nil	Nil	Nil	Nil	171.8	Nil	14.4	62.7	16,999.3	9,064.6	13.4	Nil	31,266.8	7,620.9	6.4	512.7
Turnover (Gross income from operations)	4,059.4	712.7	288.4	35.1	2,881.1	0.3	7.5	1,094.1	42,610.5	15,920.0	Nil	96.4	4,033.2	688.5	3.9	1,383.5
Profit before tax	2,140.6	325.3	73.9	3.1	205.4	0.3	4.7	746.1	(2,033.3)	545.3	(0.6)	18.3	950.1	(495.1)	1.0	474.3
Provision for taxation	663.9	114.3	30.4	(14.2)	82.5	0.1	1.6	243.1	(154.5)	42.2	Nil	0.7	302.0	(147.7)	0.3	162.9
Profit after tax	1,476.7	211.0	43.5	17.3	122.9	0.2	3.1	503.0	(1,878.8)	503.1	(0.6)	17.6	648.1	(347.4)	0.7	311.4
Dividend paid (including corporate dividend tax) [4]	793.6	189.9	15.7	Nil	62.9	Nil	Nil	449.8	Nil	265.1	Nil	Nil	184.0	Nil	0.6	258.9

Notes:

1. The financial information of ICICI Bank Canada and ICICI Bank Eurasia Limited Liability Company is from the period January 1, 2005 to December 31, 2005, being their 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. The financials of ICICI Securities Holdings Inc. and ICICI Securities Inc. have been translated into Indian Rupees as per the provisions of AS 11 (revised)-Accounting for the Effects of changes in Foreign Exchange Rates issued by the Institute of Chartered Accountants of India.
3. 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. 387.3 million and Rs. 2,230.8 million respectively.
4. Dividend paid includes proposed dividend.
5. The financials of ICICI Bank UK Limited and ICICI International Limited have been translated into Indian Rupees at the closing rate on March 31, 2006 of 1 USD = Rs. 44.615.
6. The financials of ICICI Bank Canada and ICICI Bank Eurasia Limited Liability Company have been translated into Indian Rupees at the closing rate on December 31, 2005 of 1 CAD = Rs. 38.7275 and 1 RUB = Rs. 1.5726 respectively.
7. ICICI Bank Eurasia Limited Liability Company has become a subsidiary of ICICI Bank Limited with effect from May 19, 2005, being the date of its acquisition.
8. Prudential ICICI Asset Management Company Limited and Prudential ICICI Trust Limited have become subsidiaries of ICICI Bank Limited with effect from August 26, 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
Joint Managing Director

CHANDA D. KOCHHAR
Deputy Managing Director

NACHIKET MOR
Deputy Managing Director

VISHAKHA MULYE
Chief Financial Officer & Treasurer

JYOTIN MEHTA
General Manager & Company Secretary

RAKESH JHA
General Manager

Place : Mumbai
Date : April 29, 2006

Reconciliation to US GAAP and related notes for the year ended March 31, 2006

I. Differences between Indian GAAP and US GAAP

The consolidated financial statements of the Company are prepared in accordance with Indian GAAP which differs in certain significant aspects from US GAAP.

The following tables summaries the significant adjustments to consolidated net income and stockholders' equity which would result from the application of US GAAP:

1. Net income reconciliation

Rupees in million

	Note	Year ended March 31, 2004	2005	**2006**
Consolidated profit after tax as per Indian GAAP		15,803.8	18,523.3	**24,200.9**
Adjustments on account of :				
Allowance for loan losses	(a)	(11,585.3)	(14,666.9)	**(5,214.7)**
Business combinations	(b)	(1,331.8)	(500.5)	**(1,051.2)**
Consolidation	(c)	(312.0)	613.0	**277.5**
Valuation of debt and equity securities	(d)	(1,609.7)	150.5	**537.8**
Amortisation of fees and costs	(e)	1,247.1	1,935.7	**3,158.9**
Accounting for derivatives	(f)	834.9	(1,478.8)	**(154.4)**
Deferred taxes	(g)	2,172.1	3,953.7	**(1,714.5)**
Total impact of all adjustments		(10,584.7)	(9,993.3)	**(4,160.6)**
Net income as per US GAAP		5,219.1	8,530.0	**20,040.3**
Basic earnings per share				
Indian GAAP (consolidated)		25.73	25.45	**30.96**
US GAAP		8.50	11.72	**25.64**
Diluted earnings per share				
Indian GAAP (consolidated)		25.52	25.25	**30.64**
US GAAP		8.43	11.60	**25.34**

2. Stockholders' equity reconciliation

Rupees in million

	Note	As on March 31, 2005	**2006**
Consolidated networth as per Indian GAAP		121,833.3	**219,982.2**
Adjustments on account of:			
Allowance for loan losses	(a)	(14,819.8)	**(20,034.0)**
Business combinations	(b)	396.8	**(661.0)**
Consolidation	(c)	(492.8)	**(2,067.4)**
Valuation of debt and equity securities	(d)	2,018.8	**(1,971.0)**
Amortisation of fees and costs	(e)	4,005.6	**7,389.1**
Accounting for derivatives	(f)	179.3	**26.1**
Deferred taxes	(g)	7,734.4	**7,358.5**
Proposed dividend	(h)	7,140.3	**8,624.3**
Total impact of all adjustments		6,162.6	**(1,335.4)**
Stockholders' equity as per US GAAP		127,995.9	**218,646.8**

a) **Allowance for loan losses**

The differences in the allowance for loan losses between Indian GAAP and US GAAP are primarily on account of:

i) Prescriptive provisioning on performing and non-performing loans as per Reserve Bank of India ("RBI") guidelines under Indian GAAP as compared to allowances made in accordance with SFAS No. 5 on "Accounting for Contingencies" and SFAS No. 114 on "Accounting by Creditors for Impairment of a Loan" issued by the FASB under US GAAP. Under Indian GAAP, in line with the RBI guidelines, the Bank classifies loans as non-performing when interest or instalments are overdue for more than 90 days. RBI norms also allow banks to create additional floating provisions over and above the specific provisions. The additional floating provisions are generally based on losses anticipated by the Bank on historical loss experiences or expected anticipated losses in certain loans.

ii) Differences in the discount rates and cash flows used for computing allowances created on restructured loans under Indian GAAP and US GAAP.

iii) Provisions on sale of certain loans to an asset reconstruction company not accounted for as sale under US GAAP. The loss on assets transferred to an asset reconstruction company are included under allowance for loan losses under US GAAP whereas under Indian GAAP, these are netted off from the security receipts received as consideration for sale as the transfer of these loans is treated as a sale under Indian GAAP. The allowance for loan losses under US GAAP as at March 31, 2006 included Rs. 28,336.7 million (March 31, 2005: Rs 25,358.8 million) on loans sold to an asset reconstruction company.

The guidelines on provisioning for loan losses are as follows:

Classification	**Provisioning**
Standard loans	A general provision of 0.40% (excluding direct advances to the agricultural and small and medium enterprise sectors) is required for all standard (non-impaired) loans.
Sub-standard assets	A loan is classified as sub-standard if interest payments or instalments have remained overdue for more than 90 days. A provision of 10% is required for all sub-standard loans. An additional provision of 10% is required for accounts that are abinitio unsecured.
Doubtful assets	A loan is classified as a doubtful loan, if it has remained as sub-standard for more than a year. A 100% provision/write-off is required in respect of the unsecured portion of the doubtful loans. Until year-end fiscal 2004, a 20% to 50% provision was required for the secured portion as follows: Up to one year: 20% provision; One to three years: 30% provision; and More than three years: 50% provision. Effective quarter ended June 30, 2004 a 100% provision is required for loans classified as doubtful for more than three years on or after April 1, 2004. In respect of assets classified as doubtful for more than three years up to March 31, 2004, 60% to 100% provision on the secured portion is required as follows: By March 31, 2005: 60% provision; By March 31, 2006: 75% provision; and By March 31, 2007: 100% provision.

Loss assets	The entire loan is required to be written off or provided for.
Restructured loans	A provision equal to the difference between the present value of the future interest as per the original loan agreement and the present value of the future interest on the basis of rescheduled terms at the time of restructuring is required to be made.

Under US GAAP, the impaired loans portfolio is classified into restructured loans and other impaired loans. Restructured loans represent loans whose terms relating to interest and installment payments have been modified and qualify as troubled debt restructurings as defined in SFAS No. 15 on "Accounting by Debtors and Creditors for Troubled Debt Restructurings". Other impaired loans represent loans other than restructured loans, which qualify for impairment as per SFAS No. 114.

Under US GAAP, larger balance, non-homogenous exposures representing significant individual credit exposures (both funded and non-funded), are evaluated on the basis of borrower's overall financial condition, resources and payment record and the realizable value of any collateral. This estimate considers all available evidence including the present value of the expected future cash flows discounted at the loan's contractual effective rate and the fair value of collateral. Allowances recognised on account of reductions of future interest rates as a part of troubled debt restructurings are accreted as a credit to the provision for loan losses over the tenor of the restructured loan. Each portfolio of smaller-balance, homogenous loans, including consumer mortgage, instalment, revolving credit and most other consumer loans, is individually evaluated for impairment. The allowance for loan losses attributed to these loans is established via a process that includes an estimate of probable losses inherent in the portfolio, based upon various statistical analysis.

Under US GAAP, the allowance for loan losses for restructured loans is created by discounting expected cash flows at contracted interest rates, unlike Indian GAAP, under which current interest rates are used.

Under US GAAP, the allowances include provisions for credit losses on the performing portfolio based on the estimated probable losses inherent in the portfolio. The allowances on the performing portfolio are established after considering historical and projected default rates and loss severities.

Under Indian GAAP, in respect of non-performing loan accounts subjected to restructuring, the account is upgraded to standard category if the borrower demonstrates, over a minimum period of one year, the ability to repay the loan in accordance with the contractual terms. However, the process of upgradation under US GAAP is not rule-based and the timing of upgradation may differ across individual loans.

During fiscal 2005 and fiscal 2006, the Company transferred certain impaired loans to borrower specific funds/trusts managed by an asset reconstruction company against the issuance of security receipts by the funds/trusts. The funds/trusts have been set up by the asset reconstruction company under enacted debt recovery legislation in India and aim to improve the recoveries of banks from non-performing assets by aggregating lender interests and speeding up enforcement of security interest by lenders. While under Indian GAAP the entire transfer was recognized as a sale, under US GAAP these transfers are not recognised as a sale due to the following reasons:

- Certain transfers did not qualify for sale accounting under SFAS No. 140 on "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities".
- Certain transfers qualified for sale accounting but were impacted by FASB Interpretation No. 46 on "Consolidation of Variable Interests" (FIN 46)/FASB Interpretation No. 46R (FIN 46R). The funds/trusts to which these loans have been transferred are variable interest entities within the definition contained in FIN 46. As the Bank is the 'Primary Beneficiary' of certain funds/trusts, it is required under US GAAP to consolidate these entities.

b) Business combinations

The differences arising due to business combinations are primarily on account of:

i) Determination of the accounting acquirer.

ii) Accounting of intangible assets and goodwill.

Under US GAAP, the amalgamation between ICICI Bank Limited and ICICI Limited was accounted for as a reverse acquisition in fiscal 2003. This means that ICICI Limited was recognised as the accounting acquirer in the amalgamation, although ICICI Bank was the legal acquirer. On the acquisition date, ICICI held a 46% ownership interest in ICICI Bank. Accordingly, the acquisition of the balance 54% ownership interest has been accounted for as a step-acquisition. Under Indian GAAP, ICICI Bank Limited was recognised as the legal and the accounting acquirer and the assets and liabilities of ICICI Limited were incorporated in the books of ICICI Bank Limited in accordance with the purchase method of accounting. Further under US GAAP the amalgamation resulted in goodwill and intangible assets while the amalgamation under Indian GAAP resulted in a capital reserve (negative goodwill) which was accounted for as Revenue and Other Reserves according to the scheme of amalgamation.

Further for certain acquisitions made by the Company no goodwill has been accounted for under Indian GAAP primarily due to accounting for the amalgamation by the pooling of interests method. However under US GAAP goodwill has been accounted for in accordance with SFAS No. 141 on "Business Combinations" and SFAS No. 142 on "Goodwill and Other Intangible Assets".

Under US GAAP subsequent to the adoption of SFAS No. 142, the Company does not amortise goodwill and intangibles with infinite life but instead tests the same for impairment at least annually. The annual impairment test under SFAS No. 142 does not indicate an impairment loss for fiscal 2004, fiscal 2005 and fiscal 2006.

Under US GAAP intangible assets are amortised over their estimated useful lives in proportion to the economic benefits consumed in each period.

The estimated useful life of intangible assets is as follows:

	No. of years
Customer-related intangibles	3-10
Other intangibles	5

In fiscal 2006, the Company recorded goodwill under US GAAP of Rs. 1,196.8 million in relation to the acquisitions of software, business process outsourcing and asset management companies in India and the United States for an aggregate cash consideration of Rs. 1,480.1 million. The revenue and total assets of the acquired companies are immaterial to the consolidated results of operations and financial position of the Company. The Company has also entered into a contract with some of the companies acquired, to pay additional amounts if certain criteria are met.

In fiscal 2005, the Company recorded goodwill under US GAAP of Rs. 2,004.0 million in relation to the acquisitions of business process outsourcing and research companies in India and United States for an aggregate cash consideration of Rs. 2,139.6 million. The revenue and total assets of the acquired companies are immaterial to the consolidated results of operations and financial position of the Company. The Company has also entered into a contract with some of the companies acquired to pay additional amounts if, certain criteria are met. Further in one of the acquisitions, the Company has the option to acquire a majority stake in property companies owned by the seller.

A listing of goodwill and intangible assets, by category under US GAAP is set out below:

Rupees in million

	As of March 31, 2005	2006
Goodwill	7,407.0	**8,603.8**
Customer-related intangibles	5,991.1	**5,991.1**
Accumulated amortization	(1,835.0)	**(2,467.5)**
Customer related intangibles, net	4,156.1	**3,523.6**
Asset management and advisory intangibles[1]	–	**367.0**
Other intangibles	76.0	**76.0**
Accumulated amortisation	(33.0)	**(47.0)**
Other intangibles, net	43.0	**29.0**
Goodwill and intangible assets, net	11,606.1	**12,523.4**

1. With indefinite life

The following table presents the changes in goodwill under US GAAP:

Rupees in million

	As of March 31, 2005	2006
Opening balance	5,403.0	**7,407.0**
Goodwill relating to acquisitions consummated during the period	2,004.0	**1,196.8**
Closing balance	7,407.0	**8,603.8**

The estimated amortisation schedule for intangible assets under US GAAP, on a straight line basis, for the next five years is set out below.

Rupees in million

Year ended March 31	
2007	**678.0**
2008	**597.0**
2009	**547.0**
2010	**547.0**
2011	**547.0**
Thereafter	**636.6**
Total	**3,552.6**

c) Consolidation

The differences on account of consolidation are primarily on account of:

i) Majority owned entities where the Company has temporary control

ii) Variable interest entities

iii) Consolidation of insurance subsidiaries

Under Indian GAAP, the Company has not consolidated certain entities (primarily 3i Infotech Limited and ICICI OneSource Limited) in which control is intended to be temporary. However under US GAAP, these entities have been consolidated as SFAS No. 94 on "Consolidation of majority owned subsidiaries" requires consolidation of such entities. The net income and total assets of these entities under US GAAP were Rs. 736.2 million for fiscal 2006 (fiscal 2005: Rs. 185.2 million) and Rs. 37,039.3 million at March 31, 2006 (March 31, 2005: Rs. 17,219.5 million).

Under Indian GAAP, consolidation is required only if there is ownership of more than one-half of the voting power of an enterprise or control of the composition of the board of directors in the case of a company or of the composition of the governing body in case of any other enterprise.

However, under US GAAP, the Company consolidates companies deemed to be Variable Interest Entities (VIEs) where the Company is determined to be the primary beneficiary under FIN 46.

During the year, the Company transferred certain impaired loans to borrower specific funds/trusts managed by an asset reconstruction company. The funds/trusts (which are separate legal entities) issued Security Receipts ('SRs') to the Company and other transferors as consideration for the transaction. The funds/trusts have been set up by the asset reconstruction company under recently enacted debt recovery legislation in India and aim to improve the recoveries of banks from impaired assets by aggregating lender interests and speeding up enforcement of security interest by lenders. Certain transfers did not qualify for sale accounting under SFAS No. 140 and continue to be reflected as loans on the balance sheet of the Company. Other transfers qualified for sale accounting but were impacted by FIN 46/FIN 46R.

The funds/trusts to which these loans have been transferred are VIEs within the definition contained in FIN 46.

The Company's venture capital subsidiary is involved with entities that may be deemed VIEs. The FASB permitted non-registered investment companies to defer consolidation of VIEs with which they are involved until the proposed Statement of Position on the clarification of the scope of the Investment Company Audit Guide is finalised, which is expected in 2006. Following issuance of the Statement of Position, the FASB will consider further modification to FIN 46R to provide an exception for companies that qualify to apply the revised Audit Guide. Following issuance of the revised Audit Guide and further modification, if any, to FIN 46R, the Company will assess the effect of such guidance on its venture capital business.

Under Indian GAAP the insurance subsidiaries (ICICI Prudential Life Insurance Company Limited and ICICI Lombard General Insurance Company Limited) are fully consolidated whereas under US GAAP, these subsidiaries are accounted for by the equity method of accounting as the minority shareholders have substantive participating rights as defined in Issue No. 96-16 issued by the Emerging Issues Task Force.

Acquisition costs for insurance subsidiaries are those costs that vary with, and are primarily related to the acquisition of new and renewal insurance contracts i.e. commissions, policy issue expenses, etc. Under Indian GAAP, these costs are expensed in the profit and loss account while under US GAAP the same is amortised over the life of the policy. The claims provisions under Indian GAAP are made in accordance with IRDA guidelines whereas under US GAAP the provisions are made in accordance with the provisions of SFAS 60 on "Accounting and Reporting by Insurance Enterprises" and SFAS 97 on "Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and for Realized Gains and Losses from the Sale of Investments". The net impact of the differences on net income of the insurance subsidiaries is insignificant.

d) Valuation of securities

Under Indian GAAP, net unrealised gains on investments by category are ignored, except for the insurance subsidiaries wherein the unrealised gains and losses are transferred to the fair value change account grouped under Revenue and Other Reserves. Under US GAAP the unrealised gains or losses on trading assets are recognised in the profit and loss account and the unrealised gains or losses on securities classified as 'available for sale' are recognised in 'Accumulated Other Comprehensive Income' under stockholders' equity, net of tax. The total unrealised gains/(losses) taken to stockholders' equity as on March 31, 2006 under US GAAP amounted to Rs. 431.3 million (March 31, 2005: Rs. 3,289.2 million). Under Indian GAAP the unrealised gains and temporary losses on investments of venture capital subsidiaries are recognised in the 'Investment Fluctuation Reserve'. Under US GAAP the unrealised gains or losses on investments of venture capital subsidiaries are recognised in the profit and loss account.

Further, under US GAAP the merger between ICICI Limited and ICICI Bank Limited was accounted for as a reverse merger wherein ICICI Limited was the accounting acquirer. Accordingly all assets and liabilities of ICICI Bank Limited were fair valued under US GAAP resulting in a different cost basis in the books of the consolidated entity as compared to Indian GAAP wherein ICICI Bank Limited was the accounting acquirer.

Under Indian GAAP, during fiscal 2005, the Company transferred investments amounting to Rs. 213,489.4 million from available for sale category to held to maturity category in accordance with the RBI guidelines. 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. Under US GAAP, these investments continue to be classified as 'available for sale'.

e) Amortisation of fees and costs

Under US GAAP, loan origination fees (net of costs) are amortised over the period of the loans as an adjustment to the yield on the loan. However under Indian GAAP, loan origination fees are accounted for upfront except for certain fees which are received in lieu of sacrifice of future interest, which are amortised over the remaining period of the facility. Loan origination costs, including commissions paid to direct marketing agents are expensed in the year in which they are incurred.

ICICI Bank Limited had implemented an Early Retirement Option Scheme 2003 ('ERO') 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, termination benefits and leave encashment in the excess of the provision made (net of tax benefits), aggregating to Rs. 1,910.0 million are being amortised under Indian GAAP over the period of five years commencing August 1, 2003. Under US GAAP, the same has been accounted in accordance with the provisions of SFAS No. 87 on "Employers' Accounting for Pensions" and SFAS No. 88 on "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits".

f) Accounting for derivatives

Under Indian GAAP, prior to March 31, 2004 the Company recognised only unrealised losses on trading derivatives and ignored unrealised gains, if any. With effect from April 1, 2004 the Company recognises unrealised gains and losses in the profit and loss account.

Under Indian GAAP 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 for at fair value or on accrual basis, in accordance with RBI guidelines.

Under US GAAP, the Company accounts for its derivative transactions in accordance with the provisions of SFAS No. 133 on "Accounting for Derivative Instruments and Hedging Activities". Accordingly certain derivative contracts classified as hedges under Indian GAAP may not qualify as hedges under US GAAP and accordingly are accounted for as trading derivatives.

Under US GAAP the Company has designated certain derivatives as fair value hedges of certain interest bearing assets and liabilities under SFAS No. 133. There are no cash flow hedges or hedges of net investments in foreign operations. At the inception of a hedge transaction, the Company formally documents the hedge relationship and the risk management objective and strategy for undertaking the hedge. This process includes identification of the hedging instrument, hedged item, risk being hedged and the methodology for assessing effectiveness and measuring ineffectiveness of the hedge. In addition, the Company assesses both at the inception of the hedge and on an ongoing basis, whether the derivative used in the hedging transaction is effective in offsetting changes in fair value or cash flows of the hedged item, and whether the derivative is expected to continue to be highly effective. The Company assesses the effectiveness of the hedge instrument at inception and continually on a quarterly basis.

g) Deferred Taxes

The differences in the accounting for deferred taxes are primarily on account of:

i) Tax impact of all US GAAP adjustments.

ii) Deferred taxes created on undistributed earnings of subsidiaries and affiliates under US GAAP. Deferred taxes are not required to be created on undistributed earnings of subsidiaries and affiliates under Indian GAAP.

iii) Deferred taxes created on carry forward capital losses based on more likely than not criterion under US GAAP as against virtual certainty under Indian GAAP. As per the more likely than not criterion, a valuation allowance on the deferred tax asset is created where the probability of realisation of the deferred tax asset is not more likely than not. However under the virtual certainty criterion a deferred tax asset is recognised on unabsorbed depreciation or carry forward losses under tax laws only to the extent there is convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realized.

h) Dividend

Under US GAAP, dividends on common stock and the related dividend tax are recognised in the year of approval by the Board of Directors. Under Indian GAAP, dividends on common stock and the related dividend tax are recognised in the year to which it relates to.