

## **SCHEDULE 18**

### **A. SIGNIFICANT ACCOUNTING POLICIES**

#### **1. Overview**

ICICI Bank Limited (“ICICI Bank” or “the Bank”), incorporated in Vadodara, India is a publicly held bank providing a wide range of banking and financial services including retail lending, commercial lending, trade finance and treasury products. ICICI Bank is a banking company governed by the Banking Regulation Act, 1949.

In fiscal 2001, ICICI Bank acquired and merged Bank of Madura into itself in an all-stock deal. Effective March 30, 2002, ICICI Bank acquired 100% of the outstanding equity shares of ICICI Limited (“ICICI”) and ICICI’s interest in its subsidiaries in an all-stock deal accounted for under the purchase method of accounting.

#### **2. Basis of preparation**

The accounting and reporting policies of ICICI Bank used in the preparation of these financial statements reflect the banking industry practices and conform with Generally Accepted Accounting Principles (“GAAP”) in India and the guidelines issued by the Reserve Bank of India (“RBI”) from time to time. The Bank follows the accrual method of accounting and historical cost convention.

The preparation of financial statements requires that management makes estimates and assumptions that affect the reported amounts of assets and 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. Actual results could differ from these estimates.

Since the appointed date of the merger of ICICI is March 30, 2002 the financials include the results of the operations for the full year of ICICI Bank and from the appointed date for ICICI. As more fully explained in part B the results of operations of ICICI, ICICI Personal Financial Services Limited and ICICI Capital Services Limited up to the appointed date are accounted in accordance with the scheme of amalgamation and Accounting Standard 14 on ‘Accounting for Amalgamations’ issued by the Institute of Chartered Accountants of India. The accounting policies described below have to be read together with the aforesaid note.

#### **3. Revenue Recognition**

- a) Interest income is recognised in the Profit and Loss account as it accrues except in the case of non-performing assets where it is not reckoned as income in the accounts unless realised in cash.
- b) Income on hire purchase operations is accrued in a manner so as to provide a fixed return on outstanding investments.

- c) Income from leases is calculated by applying the interest rate implicit in the lease to the net investment outstanding on the lease over the primary lease period. In respect of leases effected from April 1, 2001, finance leases have been accounted for as per Accounting Standard 19 issued by the Institute of Chartered Accountants of India.
- d) Income on discounted instruments is recognised over the tenure of the instrument.
- e) Dividend is accounted on an accrual basis when the Bank's right to receive the dividend is established.
- f) Front end fees, premium earned on prepayment of loans, fee income arising from sell down of assets and fees earned on restructured (including realignment of interest rates) loans are recognised upfront on their becoming due.
- g) Guarantee commission is recognised over the period of the guarantee.

#### **4. Investments**

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

- a) All investments are classified under three categories, viz., 'Held to Maturity', 'Available for sale' and 'Trading'. 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 acquisition cost or at amortised cost if acquired at a premium over the face value. A provision is made for diminution other than temporary.
- c) 'Available for sale' and 'Trading' securities are valued periodically as per Reserve Bank of India guidelines.

The market value of SLR securities for the purpose of periodical valuation of investments included in the Available for Sale and Trading categories is as per the rates put out by Fixed Income Money Market and Derivatives Association ("FIMMDA").

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

- d) Depreciation/Appreciation for each basket within 'Available for Sale' and 'Trading' category is aggregated. Net appreciation in each basket if any, being unrealised, is ignored, while net depreciation is provided for.
- e) Costs such as brokerage, commission etc., pertaining to investments, paid at the time of acquisition, are charged to revenue.
- f) Broken period interest on debt instruments is treated as a revenue item.
- g) Profit on sale of investment in the 'Held to Maturity' category is credited to the revenue account and thereafter is appropriated to Capital Reserve.

## 5. Provision/Write-offs on loans and other credit facilities

- a) As per RBI guidelines, general provision of 0.25% is made on standard assets. The Bank has a policy of making an additional general provision of 0.25%, thus making total general provision of 0.50% on standard assets. As a result of fair valuation done on ICICI's performing assets, the Bank currently holds Rs. 21710.00 million of provision on customer assets taken over from ICICI amounting to 4.55% provision on acquired performing customer assets, which is in excess of the Bank's policy of 0.50% provision.
- b) All credit exposures are classified as per the RBI guidelines into performing and non-performing assets. Further, non-performing assets are classified into sub-standard, doubtful and loss assets for income recognition and provisioning based on the criteria stipulated by the RBI. Provisions are made on substandard and doubtful assets at rates higher than those prescribed by the Reserve Bank of India. The secured portion of the substandard and doubtful assets is provided at 50% over a three-year period instead of five and a half years as prescribed by the Reserve Bank of India. Loss assets and unsecured portion of doubtful assets are fully provided/written off. Additional provisions are made against specific non-performing assets over and above what is stated above, if in the opinion of the management, increased provisions are necessary.
- c) For restructured/rescheduled assets, provision is made in accordance with the guidelines issued by the Reserve Bank of India, which require that the difference between the present values of the future interest as per the original loan agreement and the present values of future interest on the basis of rescheduled terms be provided at the time of restructuring.
- d) Amounts recovered against debts written off in earlier years and provisions no longer considered necessary in the context of the current status of the borrower are written back to the revenue account.
- e) To the extent future provisions are required on the assets taken over from ICICI, the general provision credited on fair valuing the assets at the time of the amalgamation will be used.

## 6. Fixed assets and depreciation

- a) Premises and other fixed assets are carried at cost. Depreciation is charged over the estimated useful life of a fixed asset on a "straight line" basis. The rates of depreciation for fixed assets are:

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	16.67%
Plant and Machinery like Air conditioners, Xerox machines, etc.	10%
Furniture and Fixtures	15%
Motor vehicles	20%

Asset	Depreciation Rate
Computers	33.33%
Others (including Software and system development expenses)	25%

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

## **7. Foreign Currency transactions**

- a) Monetary assets and liabilities are translated at closing exchange rates notified by the Foreign Exchange Dealers' Association of India ("FEDAI").
- b) Unrealised gains/losses on outstanding forward contracts as at the end of the year are taken as current income/expense in accordance with the RBI/FEDAI guidelines. Contingent Liabilities at the balance sheet date on account of foreign exchange contracts are reported at contracted rates.

## **8. Accounting for Swaps**

The Bank enters into derivative contracts such as currency swaps and interest rate swaps to hedge on-balance sheet assets and liabilities and for trading purposes. The swap contracts entered to hedge on-balance assets and liabilities are structured such that they bear an opposite and offsetting impact with the underlying on-balance sheet items. The impact of such derivative instruments are correlated with the movement of the underlying assets and liabilities and accounted pursuant to the principles of hedge accounting. The related amount receivable from and payable to the swap counter parties is included in the other assets or other liabilities in the balance sheet. When there is no correlation of movements between derivative and the underlying asset or liability, or if the underlying asset or liability specifically related to a derivative instrument is matured, sold or terminated, the derivative instrument is closed out or marked to market as an element of non-interest income on an out-going basis.

## **9. 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 in the Bank that vests in graded manner. The options may be exercised within a specified period. Since the exercise price of the option is the closing market price as on the date of grant, no compensation cost is incurred.

## **10. Staff benefits**

For employees covered under group gratuity scheme and group superannuation scheme of LIC, gratuity and superannuation charged to Profit and Loss account is on the basis of premium demanded by LIC. Provision for gratuity and pension (for certain category of employees) and leave encashment liability is determined as per actuarial valuation. Defined contributions for Provident Fund are charged to the Profit and Loss account based on contributions made in terms of the scheme. Retirement benefits for employees taken over from erstwhile Bank of Madura and ICICI are different from those applicable to other employees.

## **11. Deferred Tax**

The Bank accounts for income taxes as per Accounting Standard 22 (AS 22) "Accounting for Taxes on Income". AS 22 requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax basis of assets and liabilities using substantively enacted tax rates expected to apply to taxable income in the years when temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in the Profit and Loss Account in the period of change. Deferred tax assets are recognised subject to a valuation allowance based upon management's judgement as to whether realisation is considered reasonably certain.

## **B. Merger with ICICI Limited, ICICI Personal Financial Services Limited ("I PFS") and ICICI Capital Services Limited ("I CAPS")**

1. ICICI, I PFS and I CAPS were amalgamated with the Bank with effect from March 30, 2002 in terms of the Scheme of Amalgamation approved by the Reserve Bank of India on April 26, 2002 and the High Court of Gujarat on March 7, 2002 and High Court of Judicature at Mumbai on April 11, 2002. ICICI was a financial services company offering a wide range of products and services to corporate and retail customers in India through a number of business operations, subsidiaries and affiliates. I PFS, a subsidiary of ICICI, was acting as a focal point for marketing, distribution and servicing the retail product portfolio of ICICI including auto loans, commercial vehicle loans, credit cards, consumer loans, etc. I CAPS, a subsidiary of ICICI, was engaged in sales and distribution of various financial and investment products like ICICI Bonds, Fixed Deposits, Demat services, Mutual Funds, etc.
2. The following are the salient features of the scheme
  - a) The consideration for the amalgamation is in the form of one equity share of ICICI Bank of Rs. 10 each issued for two equity shares of ICICI of the face value of Rs. 10 each. No shares would be issued pursuant to the amalgamation of I PFS and I CAPS, both of which are wholly owned subsidiaries of ICICI.
  - b) ICICI would transfer prior to the appointed date, the shares held by it in ICICI Bank to a Board of Trustees.

- c) ICICI Bank shall issue to the holders of 0.001% preference shares of Rs. 10,000,000 each of ICICI, one preference share of Rs. 10,000,000 fully paid up on the same terms and conditions.
  - d) In respect of Stock options issued by ICICI under the Employees' Stock Option Scheme to its directors and employees and employees of I PFS and I CAPS or any other subsidiary or associates and which have not been exercised and are therefore outstanding, the said directors and employees, would in lieu of the options held by them in ICICI receive such number of options in ICICI Bank determined in accordance with the Share Exchange Ratio.
3. In accordance with the Scheme of amalgamation the fair value of the assets (net of existing provisions) and liabilities of ICICI had to be determined for incorporation in the books of the Bank. In this context , the following procedures were adopted by the Bank:
- a) (i) The auditors of ICICI have in their report confirmed that the valuation and provisioning requirements in respect of assets of ICICI have been carried out consistent with the prudential norms applicable to banks and provisioning requirements have been fully met out of existing provisions/reserves of ICICI , except to the extent of:
    - further provisioning required arising out of the report of the fair valuation exercise carried out by an independent firm of Chartered Accountants and
    - additional provision required in respect of certain performing loan accounts of ICICI which are non-performing in the books of ICICI Bank.
  - (ii) In respect of loans and all investments deemed to be credit substitutes and Venture Capital investments the fair values have been determined by Messrs Deloitte Haskins & Sells, an independent firm of Chartered Accountants, which valuation resulted in an aggregate shortfall when compared with the carrying values. This shortfall has not been adjusted in the books of ICICI before amalgamation as required by the Reserve Bank of India. However, as permitted by Accounting Standard 14 on 'Accounting for Amalgamations', the said assets have been incorporated in the books of the Bank at carrying values as appearing in the books of ICICI with further provisions made in the books of the Bank as follows:
    - Rs. 24300.54 million, based on the fair values determined by Messrs Deloitte Haskins and Sells on the total portfolio basis without allocating to individual assets.
    - Rs. 1546.04 million in respect of performing loans which would be considered as non performing assets in the books of the Bank.
  - (iii) Investments other than investments in Venture Capital Funds, subsidiaries and investments deemed to be credit substitutes have been valued in accordance with RBI guidelines on Valuation of Investments.

- (iv) No adjustment has been made to the carrying values in respect of investments in subsidiaries where the management does not have an established intent to sell or has regulatory constraints in reducing stakes.
  - (v) Fixed assets have been recorded as per their values in ICICI books prior to the amalgamation as determined by independent valuers. Hence no further adjustment was considered necessary.
  - (vi) It has not been considered necessary to make any adjustment to the values of the liabilities as appearing in the books of ICICI.
  - (vii) Subject to the above, the assets and liabilities of ICICI have been incorporated in the books of the Bank on the basis of Trial Balance as at the close on 29th March 2002 certified by the auditors of ICICI.
  - (viii) It has not been considered necessary to make any adjustment to the values of the assets and liabilities of I CAPS and I PFS and these assets and liabilities have been incorporated based on Trial Balances certified by the auditors of I CAPS and I PFS.
- b) The excess of the fair value of the net assets of ICICI over the paid up value of the shares issued by the Bank has been dealt with as follows: -
- (i) The balances in 'Special Reserve account' and 'Debenture Redemption Reserve account' have been transferred to similar accounts in the books of the Bank.
  - (ii) The aggregate balances in 'Capital Reserve Account', 'Capital Redemption Reserve Account', 'Share Premium Account', 'General Reserve Account', 'Profit and Loss Account' and any other reserves as reduced by the provisions referred to in para 3(a)(ii) and such other adjustments considered necessary have been transferred to 'General Reserve Account'.

Accordingly, the acquisition of ICICI has resulted into a net accretion to General Reserve of Rs. 32108.22 million.

The computation of this amount is detailed in the table below:

		Rupees in million
<b>Assets at Book Values</b>	712715.72	
Less: Fair value and other adjustments	25846.58	
Fair value of assets	686869.14	
Less: Liabilities taken over	636434.19	
<b>Net Assets at fair value</b>		<b>50434.95</b>
Less : Consideration payable (392,672,724 equity shares of Rs. 10 each)	3926.73	
Preference Shares	3500.00	
Special Reserve	10800.00	
Debenture Redemption Reserve	100.00	<b>18326.73</b>
<b>Amount taken to General Reserve in Bank's books</b>		<b>32108.22</b>

## **C. NOTES FORMING PART OF THE ACCOUNTS**

### **1. Preference Shares**

Certain Government Securities amounting to Rs. 1304.58 million have been earmarked against redemption of preference share capital, which falls due for redemption on April 20, 2018.

### **2. Employee Stock Option Scheme**

At the Extraordinary General Meeting on February 21, 2000, the shareholders approved an Employee Stock Option Scheme. Under the Scheme, up to 5% of the issued equity shares, including the ADS issue, can be allocated to Employee Stock Options. In terms of the Scheme, 6,327,825 options granted to eligible employees were outstanding as at March 31, 2002.

In terms of the scheme of merger with ICICI, I PFS and I CAPS, eligible employees to whom stock options were granted by ICICI under the employee stock option scheme, would receive the options in the Bank in accordance with share exchange ratio. As on March 31, 2002, 14,031,600 options issued by ICICI were outstanding.

Upon the coming into effect of the Scheme of Amalgamation, Section IV Part I of the employee's stock option scheme stands amended in the following manner:

"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 five percent of the aggregate number of the issued equity shares of the Bank after coming into effect of the amalgamation of ICICI, I CAPS and I PFS with the Bank and the issuance of equity shares by the Bank pursuant to the aforesaid amalgamation of ICICI, I CAPS and I PFS with the Bank."

### **3. Subordinated debt**

Bank has raised subordinated debt amounting to Rs 2285.35 million during the year (Previous year Rs. NIL).

Subordinated debt acquired from ICICI includes Index bonds amounting to Rs 87.96 million, which carry a detachable warrant entitling bondholders to a right to receive an amount linked to the BSE Sensitive Index ("Sensex") per terms of the issue. The liability of the Bank arising out of changes in the Sensex has been hedged by earmarking its investments of an equivalent amount in the UTI Index Equity Fund whose value is based on the Sensex.

### **4. Fixed Assets and Depreciation**

Arising from the merger of ICICI with the Bank, the Bank reviewed the estimated useful life of certain categories of fixed assets to align the depreciation rates followed by ICICI and the Bank. Accordingly, the Bank has changed its rates of depreciation on the following categories of its fixed assets with effect from April 1, 2001:



Premises from 5% to 1.63%  
 Furniture and Fixtures from 20% to 15%  
 Motor Car from 25% to 20%

Accordingly, the depreciation charged for the current year was less by Rs. 64.30 million.

## 5. Adoption of New Accounting Standards

### 5.1 Deferred Tax

Consequent upon Accounting Standard 22 on Accounting for Taxes on Income becoming mandatory effective April 1, 2001, the Bank has recorded the cumulative deferred tax asset of Rs.327.30 million upto March 31, 2001 by credit to "General Reserve" in accordance with the transitional provisions of the Standard. Further, a deferred tax asset of Rs. 903.30 million for timing differences arising during the year has been recognised by credit to the Profit and Loss account for the year. The liabilities recorded on amalgamation of ICICI, I PFS and I CAPS included aggregate carried forward deferred tax liabilities of those companies amounting to Rs. 2778.22 million. Accordingly, on March 31, 2002, the Bank has recorded net deferred tax liability of Rs.1547.63 million, a composition of which into major items is given below:

Rupees in million		
<b>Deferred Tax Asset</b>		
Amortisation of premium on investments	85.19	
Provision for bad and doubtful debts	7139.67	
Others	1306.73	<b>8531.59</b>
<b>Less : Deferred Tax Liability</b>		
Depreciation on fixed assets	9910.52	
Others	168.70	<b>10079.22</b>
<b>Net Deferred Tax Liability</b>		<b>(1547.63)</b>

### 5.2 Related party transactions

ICICI Bank has entered into transactions with the following related parties:

- Affiliates of the Bank including ICICI (former parent company) till the acquisition date;
- Employees' Provident Fund Trust; and
- Directors and employees of the group.

The related party transactions can be categorised as follows:

**a) Banking services**

ICICI Bank provides banking services to all the related parties on the same terms that are offered to other customers. The revenues earned from these related parties are set out below:

	Rupees in million	
	FY 2002	FY 2001
ICICI (former parent company) till the date of amalgamation	29.41	45.05
Other Affiliates <sup>(1)</sup> ...(Including I PFS and I CAPS till the date of amalgamation)	7.85	26.54
<b>Total</b>	<b>37.26</b>	<b>71.59</b>

(1) Comprising ICICI Securities and Finance Company Limited, ICICI Brokerage Services Limited, I CAPS, Prudential ICICI Asset Management Company Limited, I PFS, ICICI Home Finance Limited, ICICI Prudential Life Insurance Company Limited, ICICI Brokerage Services Limited, ICICI Infotech Services Limited and ICICI Knowledge Park

ICICI Bank has paid to the related parties interest on deposits and borrowings in call money markets amounting to Rs. 542.58 million for the year ended March 31, 2002 (March 31, 2001: Rs. 392.15 million). Similarly it paid brokerage to ICICI Brokerage Services Limited amounting to Rs. 0.08 million for the year ended March 31, 2002 (March 31, 2001: Rs. 0.18 million).

**b) Leasing of premises and infrastructural facilities**

ICICI Bank had entered into lease agreements with ICICI for lease of certain premises and infrastructural facilities to ICICI Bank, and paid rent till the amalgamation date of Rs. 217.82 million (March 31, 2001: Rs 176.56 million). Similarly, ICICI Bank paid Rs. 37.74 million till the amalgamation date (March 31, 2001: Rs 15.97 million) towards lease rentals on certain equipment leased from ICICI.

ICICI Bank has received Rs. 15.40 million for the year ended March 31, 2002 towards the rent of Bank’s premises occupied by ICICI and other affiliates.

**c) Acquisition of equipment**

ICICI Bank purchased equipments from ICICI and ICICI Infotech Services Ltd. for Rs. 10.91 million for the year ended March 31, 2002 (March 31, 2001: Rs.98.98 million)

**d) Forward Contracts**

ICICI Bank entered into foreign exchange forward contracts with ICICI. The outstanding contracts as on the date of amalgamation in respect of forward contracts amounted to Rs. 250.90 million. (March 31, 2001: Rs. 2261.83 million)

**e) Derivative Transactions**

ICICI Bank entered into foreign exchange currency swaps and interest rates swaps with ICICI on a back to back basis. The outstanding contracts as on date of amalgamation in respect of cross currency swaps amounted to Rs. 2272.25 million (Rs. 4352.38 million as at March 31, 2001) and in respect of interest rate swap contracts amounted to Rs.

2710.00 million (Nil as at March 31, 2001). Similarly, Bank also enters into interest rate swaps with the affiliates on a back to back basis. The outstanding contracts with other affiliates at March 31, 2002 in respect of interest rate swaps amounted to Rs. 6050.00 million. (March 31, 2001: Rs. 2900.00 million)

**f) Expenses for services rendered**

ICICI Bank paid Rs. 12.08 million till the amalgamation date (March 31, 2001: Rs 44.77 million) to ICICI for secondment of their employees.

ICICI Bank paid Rs. 46.65 million till the amalgamation date (March 31, 2001: Nil) to I PFS for secondment of their employees.

**g) Receipts for services rendered**

ICICI Bank received Rs. 8.13 million till the amalgamation date (March 31, 2001: Rs 5.09 million) from ICICI for employees seconded to them.

ICICI Bank received Rs. 1.59 million till the amalgamation date (March 31, 2001: Nil) from I PFS for employees seconded to them.

**h) Share transfer activities**

ICICI Bank paid Rs 1.41 million for the year ended March 31, 2002 (March 31, 2001: Rs. 3.09 million) to ICICI Infotech Services Limited for share transfer services provided by them. The Bank paid Rs 1.64 million for the year ended March 31, 2002 for DEMAT services provided by the above affiliate (March 31, 2001: Rs. 5.22 million).

**i) Dividend payments**

ICICI Bank declared and paid interim dividend @ 20% for the year 2001-2002, out of which the Bank paid Rs. 407.19 million to its affiliates for the year ended March 31, 2002 (March 31, 2001 Rs. 184.20 million).

**j) Other transactions with related parties**

ICICI Bank had entered into an agreement with I PFS for telephone banking call centre services and transaction-processing services for the credit card related activities and paid till the amalgamation date Rs. 148.99 million (March 31, 2001: Rs. 99.17 million).

ICICI had undertaken a corporate brand building advertising campaign of which ICICI Bank's share till the date of amalgamation was Rs. 28.92 million (March 31, 2001: Rs.15.39 million).

ICICI Bank has paid Rs. 48.11 million to ICICI towards common corporate expenditure during the year ended March 31, 2002. (March 31, 2001: Nil). Similarly, ICICI Bank has paid Rs. 41.89 million to ICICI and affiliates towards various expenditure such as lease line expenses, telephone expenses, custodial services, canteen expenses, etc. (March 31, 2001: Rs.19.63 million).

ICICI has set up common technology infrastructure for utilisation by the ICICI Group. The Bank paid its share of Rs. 36.74 million and Rs. 17.98 million for communication expenses and backbone infrastructure expense till the amalgamation date. Similarly, it paid Rs. 123.65 million for the year ended March 31, 2002, as expenses for development of software and providing support services by ICICI Infotech Services Limited (March 31, 2001: Rs. 73.26 million).

ICICI Bank paid Rs. 110.19 million till the amalgamation date as its share of the operating costs of the common data centre set up by ICICI (March 31, 2001: Rs. 49.60 million).

ICICI Bank hired the services of I CAPS for setting up of ATMs at various places and paid Rs. 6.63 million for the above services till the amalgamation date. (March 31, 2001: Rs. 7.89 million). ICICI Bank has paid Rs. 9.09 million to ICICI e-Payments Ltd. towards payment gateway services rendered in connection with credit cards acquiring transactions through internet channel (March 31, 2001: Rs. 6.25 million). The Bank has hired the services of ICICI Web Trade Limited for data compilation of new accounts acquired by the Bank through internet channel for which Rs. 9.77 million were paid during the year ended March 31, 2002 (March 31, 2001: Rs. 2.19 million).

ICICI Bank has paid premium of Rs. 4.36 million to ICICI Lombard General Insurance Company Limited towards the Staff Medical Insurance Policy (March 31, 2001: Nil).

ICICI Bank paid compensation to its key management personnel Rs. 21.98 million for services rendered by them during the year.

The balances pertaining to receivables from and payable to related parties are set out below:

	Rs. in million	
	<b>ICICI</b>	<b>Other Affiliates <sup>(1)</sup></b>
<b>At March 31, 2001</b>		
Accounts receivable	38.64	17.31
Accounts payable	5208.76	2847.45
<b>At March 31, 2002</b>		
Accounts receivable	-	*199.55
Accounts payable	-	893.39

\* includes amount receivable from Group Companies by erstwhile ICICI Limited

(1) Comprises ICICI Securities and Finance Company Limited, Prudential ICICI Asset Management Company Limited, Prudential ICICI Trust Limited, ICICI Infotech Services Limited, ICICI Brokerage Services Limited, I PFS, I CAPS, ICICI Venture Funds Management Company Limited, ICICI Properties Private Limited, ICICI Home Finance Company Limited, ICICI Real Estate Private Limited, Traveljini.com Private Limited, ICICI Knowledge Park Limited, ICICI Realty Private Limited, ICICI Web Trade Limited, Prudential ICICI Mutual Fund Limited, ICICI Winfra Limited, ICICI e-Payments Limited, ICICI Prudential Life Insurance Company Limited, ICICI Lombard General Insurance Company Limited, ICICI Bill Junction, ICICI Eco-net, ICICI Trusteeship Limited, TDICICI Limited, ICICI Investment Management Co. Limited and ICICI Custodial Services Ltd.

### 5.3 Earnings Per Share (“EPS”)

The computation of Earning per Share is set out below:

Rupees in million except per share data		
	FY 2002	FY 2001
<b>Basic</b>		
Weighted Average no. of equity shares Outstanding (Nos)	* 222510311	198237717
Net Profit	2582.99	1610.97
Earnings per Share (Rs.)	11.61	8.13
Nominal Value per share (Rs.)	10.00	10.00
<b>Diluted</b>		
Weighted Average no. of equity shares Outstanding (Nos.)	* 222510311	198237717
Net Profit	2582.99	1610.97
Earnings per Share (Rs.)	11.61	8.13
Nominal Value per share (Rs.)	10.00	10.00

\* 392,672,724 shares to be issued on amalgamation of ICICI Limited have been considered for computation of weighted average number of equity shares.

The market price has remained lower than the price at which the option was granted and therefore there is no dilutive impact on the basic EPS.

### 6. Additional Disclosures

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

#### 6.1 Capital Adequacy Ratio

Rupees in million		
	FY 2002	FY 2001
Tier I Capital	58873	13024
Tier II Capital	31248	1450
Total Capital	90121	14474
Total Risk Weighted assets and contingents	787832	125052
Capital Ratios (per cent)		
Tier I	7.47%	10.42%
Tier II	3.97%	1.15%
Total Capital	11.44%	11.57%

#### 6.2 Business/Information ratios (Annualised)

Rupees in million		
	FY 2002	FY 2001
(i) Interest income to working funds (per cent)	8.44	10.07
(ii) Non-interest income to working funds (per cent)	2.25	1.78
(iii) Operating profit to working funds (per cent)	2.14	2.35

	FY 2002	FY 2001
(iv) Return on assets (per cent)	0.67	0.82
(v) Business per employee* (average deposits plus average advances) (Not annualised)	48.65	81.52
(vi) Profit per employee*	0.53	1.05
(vii) Net non-performing advances (funded) to net advances (per cent)	5.48	2.19
(viii) Net non-performing customer assets (funded) to net customer assets (per cent)	4.73	1.44

\*Weighted average number of employees

### 6.3 Maturity Pattern

#### a) Rupee denominated assets and liabilities

Rupees in million

Maturity Buckets	Loans & Advances	Investment Securities	Deposits	Borrowings
1 to 14 days	8256	13200	31521	9965
15 to 28 days	3569	6862	9218	14997
29 days to 3 months	25529	28902	48171	44152
3 to 6 months	23315	26753	27790	32293
6 months to 1 year	37109	52188	57985	89429
1 to 3 years	132256	73658	128936	141626
3 to 5 years	75374	44746	4032	39513
Above 5 years	137007	115570	1442	28482
<b>Total</b>	<b>442415</b>	<b>361879</b>	<b>309095</b>	<b>400457</b>

#### b) Forex denominated assets and liabilities

Rupees in million

Maturity Buckets	Loans & Advances	Balances with banks and money at call and short notice	Deposits	Borrowings	Other assets	Other liabilities
1 to 14 days	522	27513	598	258	319	326
15 to 28 days	300	12882	229	1	—	—
29 days to 3 months	1384	—	913	5575	—	—
3 to 6 months	1761	—	1283	8190	—	—
6 months to 1 year	2528	—	3209	26920	—	—
1 to 3 years	10384	—	5521	16414	—	—
3 to 5 years	12851	—	3	12143	—	—
Above 5 years	19234	—	—	22229	—	—
<b>Total</b>	<b>48964</b>	<b>40395</b>	<b>11756</b>	<b>91730</b>	<b>319</b>	<b>326</b>

#### Note

- In compiling the information of maturity pattern (refer 6.3 (a) and 6.3 (b) above), certain estimates and assumptions have been made by the management which have been relied upon by the auditors.

- Assets and liabilities in foreign currency exclude off-balance sheet assets and liabilities.
- The above tables do not include fair valuation impact as below:
  - a) loans and advances – Rs. 21030.41 million
  - b) investments – Rs. 2968.18 million

## 6.4 Advances

### (i) Lending to sensitive sectors

Rupees in million

	FY 2002	FY 2001
Capital Market Sector*	1715.54	2042.21
Real Estate Sector	4757.81	1781.30
Commodities Sector	1109.59	1321.53

\* represents loans against shares

### (ii) Credit Exposure to

	% age to Capital funds	% age to Total Exposure
<b>As at March 31, 2002</b>		
(a) Single Largest Borrower	21.4%	2.4%
(b) Largest Borrower Group	41.3%	4.5%
<b>(c) Top ten Single Borrowers</b>		
No.1	21.4%	2.4%
No.2	20.2%	2.2%
No.3	14.1%	1.5%
No.4	13.4%	1.5%
No.5	12.6%	1.4%
No.6	12.2%	1.3%
No.7	11.0%	1.2%
No.8	10.1%	1.1%
No.9	9.4%	1.0%
No.10	9.3%	1.0%
<b>(d) Top ten Borrower Groups</b>		
No.1	41.3%	4.5%
No.2	32.7%	3.6%
No.3	23.5%	2.6%
No.4	21.0%	2.3%
No.5	19.2%	2.1%
No.6	13.4%	1.5%
No.7	12.1%	1.3%
No.8	11.9%	1.3%
No.9	11.8%	1.3%
No.10	10.8%	1.2%

	<b>% age to Total Exposure</b>
	<b>As at March 31, 2002</b>
<b>(e) Five largest Industrial Sectors</b>	
No.1	10.9%
No.2	10.7%
No.3	9.1%
No.4	6.2%
No.5	5.1%

**(iii) Movement of Gross NPA (Funded) during the year**

	Rupees in million
As on March 31, 2001	4092.52
Additions on amalgamation	45120.88
Additions during the year	3652.01
	52865.41
Less: Reductions during the year	2735.11
As on March 31, 2002	50130.30

**(iv) Provision for NPAs (excluding RBI mandated regulatory provision on standard assets)**

	Rupees in million	
Provision netted from Advances as on March 31, 2001		2059.03
Add: Provisions made during the year:		
Provision on loan book	2355.72	
Additional provision on standard assets	118.05	
Provision rendered surplus	205.36	2679.13
Add: Additions on amalgamation*		20441.18
		25179.34
Less : write-offs		1341.24
Provision netted off from advances as on March 31, 2002		23838.10

\* Includes fair value adjustments amounting to Rs 6497.52 million.

**(v) Information in respect of restructured assets as on March 31, 2002**

	Rupees in million
Amount of Standard assets subjected to restructuring	46978.40
Amount of Sub-standard assets subjected to restructuring	177.40
<b>Total amount of loan assets subjected to restructuring*</b>	<b>47155.80</b>

\* Includes restructured assets taken over from ICICI Limited



## 6.5 Investments

Rupees in million

	March 31, 2002		March 31, 2001	
	In India	Outside India	In India	Outside India
Gross value	380232.14	142.87	82190.33	99.55
Less: Provision for depreciation and fair value adjustments	*21442.51	21.70	401.25	20.00
<b>Net value</b>	<b>358789.63</b>	<b>121.17</b>	<b>81789.08</b>	<b>79.55</b>

\* Includes fair value adjustments on Investments taken over from ICICI amounting to Rs 2968.18 million.

### Provision for depreciation on Investments

Rupees in million

As on March 31, 2001	421.25
Add : Provision made during the year	..
Addition on amalgamation	18301.93
	<b>18723.18</b>
Less : Transfer to Investment Fluctuation Reserve	160.00
Write-off during the year	67.15
As on March 31, 2002	<b>18496.03</b>

## 6.6 Investments in equity shares and equity like instruments (at cost)

Rupees in million

	March 31, 2002	March 31, 2001
Shares	28124.94	142.80
Convertible debentures	2473.51	4.10
Units of Equity oriented mutual funds	3528.60	714.98
Investment in Venture Capital Funds	4771.45	102.55
<b>Total</b>	<b>38898.50</b>	<b>964.43</b>

## 6.7 Interest Rate Swaps

Rupees in million

Notional Principal	Hedging	47441.57
	Trading	31100.00
Fair Value *	Hedging	21929.41
	Trading	31119.27
Associated Credit Risk	Trading	85.79
Default Risk	Trading	15.07
Market Risk	In the event of 100 basis points rise in the interest rates, there will be a negative impact of Rs 23.87 million on the swap book.	
Collateral	As per prevailing market practice, collateral is not insisted upon from counter party.	
Credit risk concentration	Standard Chartered Bank Rs. 87.00 million.	

Accounting Policy	INR Interest Rate Swaps (IRS) are off-balance sheet transactions including derivative contracts with or without underlying securities, but linked to interest rates or indices.
	<p>The Bank operates in this area for trading or as a hedge for its assets or liabilities from the risk of interest rate movements in the market.</p> <p>Interest income/expense is accrued on Hedge Interest Rate Swaps (IRS) and booked in the profit and loss account. Trading IRS is marked to market and the resulting gain / loss is booked in the profit and loss account.</p>

**\*Represents notional principal amount and the resultant Unrealised gain /loss.**

## **7. Other Liabilities**

### **a. Exchange Fluctuation**

Exchange Fluctuation aggregating Rs. 1111.92 million, which arises on account of Rupee-tying Agreements with the Government of India, is held in "Exchange Fluctuation Suspense with Government Account" pending adjustment at maturity on receipt of payments from the Government for repayments to foreign lenders.

### **b. Swap suspense (net)**

Swap Suspense (net) aggregating Rs. 253.91 million (credit), which arises out of conversion of foreign currency swaps, is held in "Swap Suspense Account" and will be reversed at conclusion of swap transactions with swap counter parties.

### **c. Exchange Risk Administration Scheme**

Under the Exchange Risk Administration Scheme ("ERAS"), the Government of India has agreed to extend support to the Exchange Risk Administration Fund ("ERAF"), when it is in deficit and recoup its contribution in the event of surplus. The Bank can claim from the positive balance in the ERAF account maintained by the Industrial Development Bank of India ("IDBI") to the extent of the deficit in the ERAS Exchange Fluctuation Account. If the balance in the ERAF account with IDBI is insufficient, a claim will be made on the Government of India through the IDBI.

## **8. Contingencies**

In January 2001, certain international banks filed a claim against ICICI before the English Courts in London challenging certain transactions between ICICI and a borrower to whom both ICICI and the litigants are lenders. These transactions relate to certain lease, brand-financing and investment agreements between ICICI and the borrower. Such transactions aggregate approximately Rs. 5700 million. The plaintiffs allege that such specified transactions breach the Security Agent and Trust Agreement between ICICI and the plaintiffs, whereby ICICI was appointed as a Security Agent and

Trustee for the plaintiffs.

The plaintiffs have sought

- a declaration that the specified transactions are void;
- damages and / or compensation equal to the sum of money sufficient to compensate each of the plaintiffs for the loss of security;
- interest in equity computed in quarterly rests and / or pursuant to Section 35A of the UK Supreme Court Act of 1981; and
- costs of litigation.

The litigation is in its early stages and as the claims are unparticularized, no estimate of the interest, damages and costs claimed can be quantified currently. ICICI has denied all claims of the plaintiffs and is contesting the jurisdiction of the English courts to hear the matter. The proceedings have been adjourned till the final outcome of the restructuring scheme filed by the borrower in the Gujarat High Court. The Gujarat High Court has since approved the restructuring scheme filed by the borrower. Subsequently one of the plaintiffs has filed an appeal against the said order and the same is pending. Further, one of the plaintiffs has filed a criminal complaint with similar allegations against ICICI and some of its directors and officers. ICICI and its directors have filed writ petitions in the Gujarat High Court for quashing the criminal complaint and the Gujarat High Court has granted interim stay of the criminal proceedings till further order. Judgement is awaited in the said writ petitions.

Management believes that the ultimate resolution of the above litigation will not have a material adverse effect on the Bank's results of operations, financial condition, or liquidity. However, the final outcome of the litigation cannot be predicted with certainty, and accordingly, no assurance can be given about the ultimate outcome of the litigation and its impact.

## **9. Comparative figures**

Consequent on the merger of ICICI, I PFS and I CAPS with the Bank during the year, current year figures are not comparable with those of the previous year. Figures of the previous year have been regrouped to conform to the current year's presentation.

### **SIGNATURES TO SCHEDULES 1 TO 19**

For and on behalf of Board of Directors

**N. Vaghul**  
Director

**K.V.Kamath**  
Managing Director & CEO

**Lalita D. Gupte**  
Joint Managing Director

**H.N. Sinor**  
Joint Managing Director

**Kalpana Morparia**  
Executive Director

**Nachiket Mor**  
Executive Director

**Chanda Kochhar**  
Executive Director

**S. Mukherji**  
Executive Director

**Balaji Swaminathan**  
Chief Financial Officer

**Jyotin Mehta**  
Company Secretary

**G. Venkatakrisnan**  
Senior Executive Vice President