SCHEDULE 18

Significant accounting policies and notes to accounts

OVERVIEW

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

Basis of preparation

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

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

Equity issue

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

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

A. SIGNIFICANT ACCOUNTING POLICIES

1. Revenue recognition

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

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

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

d) Income from leases is calculated by applying the interest rate implicit in the lease to the net investment outstanding on the lease over the primary lease period. Leases effected from April 1, 2001 have been accounted as per Accounting Standard 19 on "Accounting for Leases" issued by Institute of Chartered Accountants of India ("ICAI"). Accordingly, leases effective from April 1, 2001 are accounted as advances at an amount equal to the net investment in the lease. The lease rentals are apportioned between principal and finance income based on a pattern reflecting a constant periodic return on the net investment of outstanding in respect of finance lease. The principal amount is recognised as repayment of advances and the finance income is reported as interest income.

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

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

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

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

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

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

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

2. Investments

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

a) All investments are categorised into 'Held to Maturity', 'Available for Sale' and 'Trading'. Reclassifications, if any, in any category are accounted for as per RBI guidelines. Under each category, the investments are further classified under (a) government securities (b) other approved securities (c) shares (d) bonds and debentures, (e) subsidiaries and joint ventures and (f) others.

b) 'Held to Maturity' securities are carried at their acquisition cost or at amortised cost, if acquired at a premium over the face value. A provision is made for other than temporary diminution.

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

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

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

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

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

d) Costs such as brokerage, commission etc., pertaining to investments, paid at the time of acquisition, are charged to revenue.

e) Broken period interest on debt instruments is treated as a revenue item.

f) Investments in subsidiaries/joint ventures are categorised as Held to Maturity in accordance with RBI guidelines.

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

h) At the end of each reporting period, security receipts issued by asset reconstruction company are valued in accordance with the guidelines applicable to non-SLR instruments prescribed by RBI from time to time. Accordingly, in case where the security receipts issued by the asset reconstruction company are limited to the actual realisation of the financial assets assigned to the instruments in the concerned scheme, the Bank reckons the Net Asset Value ("NAV"), obtained from asset reconstruction company from time to time, for valuation of such investments at each reporting year end.

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

a) All credit exposures are classified as per RBI guidelines, into performing and non-performing assets ("NPAs"). Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by RBI. Provisions are made on substandard and doubtful assets at rates prescribed by RBI. Loss assets and unsecured portion of doubtful assets are provided/written off as per the extant RBI guidelines. Additional provisions are made against specific non-performing assets over and above what is stated above, if in the opinion of the management, increased provisions are necessary.

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

b) For restructured/rescheduled assets, provision is made in accordance with the guidelines issued by RBI, which requires the present value of the interest sacrifice be provided at the time of restructuring.

c) In the case of other than restructured loan accounts classified as NPAs, the account is reclassified as "standard" account if arrears of interest and principal are fully paid by the borrower.

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

d) The Bank has incorporated the assets taken over from erstwhile ICICI Limited ("ICICI") in its books at carrying values as appearing in the books of ICICI with a provision made based on a fair valuation exercise carried out by an independent firm. To the extent provisions are required in respect of the assets taken over from ICICI, the provision created on fair valuation of the assets at the time of the amalgamation is used.

e) Amounts recovered against other debts written off in earlier years and provisions no longer considered necessary in the context of the current status of the borrower are recognised in the profit and loss account.

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

g) In addition to the provisions required to be held according to the asset classification status, provisions are held for individual country exposure (other than for home country). The countries are categorised into seven risk categories namely insignificant, low, moderate, high, very high, restricted and off-credit and provisioning made on exposures exceeding 90 days on a graded scale ranging from 0.25% to 100%. For exposures with contractual maturity of less than 90 days, 25% of the normal provision requirement is held. If the country exposure (net) of the Bank in respect of each country does not exceed 1% of the total funded assets, no provision is maintained on such country exposure.

4. Transfer and servicing of financial assets

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

5. Fixed assets and depreciation

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

Asset	Depreciation Rate
Premises owned by the Bank	1.63%
Improvements to leasehold premises	1.63% or over the lease period, whichever is higher
ATMs	12.50%

Asset	Depreciation Rate
Plant and machinery like air conditioners, xerox machines, etc.	10%
Furniture and fixtures	15%
Motor vehicles	20%
Computers	33.33%
EDC Terminals	16.67%
Others (including software and system development expenses)	25%

b) Depreciation on leased assets is made on a straight-line basis at the higher of the rates determined with reference to the primary period of lease and the rates specified in Schedule XIV to the Companies Act, 1956.

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

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

6. Foreign currency transactions

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

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

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

d) Outstanding forward exchange contracts are stated at contracted rates and are revalued at the exchange rates notified by FEDAI for specified maturities and at interpolated rates for contracts of in-between maturities. The resultant gains or losses are recognised in the profit and loss account.

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

7. Accounting for derivative contracts

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

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

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

8. Employee Stock Option Scheme ("ESOS")

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

9. Staff retirement benefits

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

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

10. Income taxes

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

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

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

11. Impairment of assets

Long-lived assets and certain intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net discounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.
As on March 31, 2005 there were no events or changes in circumstances which indicate any impairment in the carrying value of the assets covered by AS 28.

12. Accounting for contingencies

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

13. Earnings per share

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

14. Cash and cash equivalents

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

ICICI Bank

B. NOTES FORMING PART OF THE ACCOUNTS

1. Information about business and geographical segments

a) The Bank reports its operations under the following business segments:

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

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

Based on such allocations, segmental balance sheet as on March 31, 2005 and March 31, 2004 and segmental profit & loss account for the year ended March 31, 2005 and for the year ended March 31, 2004 have been prepared.

Rupees in million

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

	Particulars	Consumer and commercial banking		Investment banking		Total	
		For the year ended 31.03.05	For the year ended 31.03.04	For the year ended 31.03.05	For the year ended 31.03.04	For the year ended 31.03.05	For the year ended 31.03.04
	liabilities						
15.	**Total liabilities (13)+(14)**					**1,676,594.1**	**1,252,288.7**

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

2. Preference shares

Certain government securities amounting to Rs. 1,952.3 million (March 31, 2004: Rs. 1,455.1 million) have been earmarked against redemption of preference share capital, which falls due for redemption on April 20, 2018, as per the original issue terms.

3. Subordinated debt

Subordinated debt includes index bonds amounting to Rs. 117.1 million (March 31, 2004: Rs. 105.1 million) which carry a detachable warrant entitling bondholders to a right to receive an amount linked to the BSE Sensitive Index ("Sensex") per terms of the issue. During the year the Bank has raised subordinate debt amounting to Rs. 4,500.0 million under private placement bonds issued on February 28, 2005. Details of the same are as follows:

Rupees in million

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

4. 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 options.

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

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

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

* Excludes options exercised but not allotted.

5. Early Retirement Option ("ERO")

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

The ex-gratia payments under ERO and termination benefits and leave encashment in excess of the provision made (net of tax benefits), aggregating to Rs. 1,910.0 million (March 31, 2004: Rs. 1,910.0 million) are being amortised over a period of five years commencing August 1, 2003 (the date of retirement of employees exercising the Option being July 31, 2003).

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

6. Deferred Tax

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

Rupees in million

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

7. Related party transactions

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

Insurance services

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

Fees

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

Lease of premises and facilities

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

Sale of housing loan portfolio

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

Secondment of employees

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

Purchase of investments

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

Sale of investments

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

Redemption / Buyback and Conversion of investments

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

Reimbursement of expenses

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

Brokerage paid

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

Custodial charges received

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

Interest paid

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

Interest received

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

Other Income

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

Dividend received

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

Remuneration to whole-time directors

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

Related party balances

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

Rupees in million

Items	Subsidiaries / Joint ventures	Associates	Key management personnel @	Total
Deposits with ICICI Bank	6,593.6	0.3	37.1	**6,631.0**
Deposits of ICICI Bank*	9,798.9	..	..	**9,798.9**
Call money borrowed	459.2	..	..	**459.2**
Advances	322.9	..	19.1	**342.0**
Investments of ICICI Bank	20,734.1	14,470.5	..	**35,204.6**
Investments of related parties in ICICI Bank	1.6	..	2.3	**3.9**

Items	Subsidiaries / Joint ventures	Associates	Key management personnel @	Total
Receivables	202.4	..	..	**202.4**
Payables	885.3	..	..	**885.3**
Guarantees	4,928.3	..	..	**4,928.3**
Letter of Comfort	21,318.3	..	..	**21,318.3**
Swaps/Forward Contracts	118,137.1	..	..	**118,137.1**

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

Rupees in million

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

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

Rupees in million

Items	Subsidiaries / Joint ventures	Associates	Key management personnel @	Total
Deposits with ICICI Bank	2,021.2	37.3	23.1	**2,081.6**
Deposits of ICICI Bank*	131.2	..	..	**131.2**
Call money borrowed	..	..	..	**..**
Advances	2,426.0	..	10.2	**2,436.2**
Investments of ICICI Bank	14,303.6	15,942.5	..	**30,246.1**
Investments of related parties in ICICI Bank	15.0	..	2.0	**17.0**
Receivables	315.1	808.0	..	**1,123.1**

Items	Subsidiaries / Joint ventures	Associates	Key management personnel @	Total
Payables	739.4	0.5	..	**739.9**
Guarantees	100.0	..	..	**100.0**
Letter of Comfort	10,291.7	..	..	**10,291.7**
Swaps/Forward Contracts	155,481.0	..	..	**155,481.0**

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

Rupees in million

Items	Subsidiaries / Joint ventures	Associates	Key management personnel @	Total
Deposits with ICICI Bank	11,897.6	450.1	94.0	**12,441.7**
Deposits of ICICI Bank	2,500.0	..	..	**2,500.0**
Call money borrowed	5,974.9	..	..	**5,974.9**
Advances	3,614.7		14.8	**3,629.5**
Investments of ICICI Bank	20,712.5	30,342.1	..	**51,054.6**
Investments of related parties in ICICI Bank	50.0	..	2.0	**52.0**
Receivables	2,062.6	808.0	..	**2,870.6**
Payables	1,061.3	0.5	..	**1,061.8**
Guarantees	100.0	..	..	**100.0**
Letter of Comfort	11,341.7	..	..	**11,341.7**
Swaps/Forward Contracts	165,731.5	..	..	**165,731.5**

@ whole-time directors and relatives

* includes call money lent

Subsidiaries and joint ventures

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

Associates

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

8. Earnings Per Share ("EPS")

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

Rupees in million except per share data

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

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

9. Assets under lease

9.1 Assets under operating lease

The future lease rentals are given below:

Rupees in million

Period	March 31, 2005	March 31, 2004
Not later than one year	234.4	229.6
Later than one year and not later than five years	999.5	974.9
Later than five years	311.2	571.0
Total	**1,545.1**	**1,775.5**

9.2 Assets under finance lease

The future lease rentals are given below:

Rupees in million

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

Period	March 31, 2005	March 31, 2004
later than five years		
- Later than five years	7.7	140.3
Total	**1,105.5**	**1,792.9**

Maturity profile of present value of lease payments

Rupees in million

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

10. Additional disclosures

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

10.1 Capital adequacy ratio

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

Rupees in million

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

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

10.2 Business/information ratios

The business/information ratios for the year ended March 31, 2005 and March 31, 2004 are given in the table below:

Rupees in million

	March 31, 2005	March 31, 2004
(i) Interest income to working funds (per cent)	6.94%	7.83%
(ii) Non-interest income to working funds (per cent)	2.52%	2.70%
(iii) Operating profit to working funds (per cent)	2.18%	2.09%
(iv) Return on assets (per cent)	1.59%	1.31%
(v) Business per employee		

	March 31, 2005	March 31, 2004
(average deposits plus average advances) (not annualised for period end)	88.0	101.0
(vi) Profit per employee	1.1	1.2
(vii) Net non-performing advances (funded) to net advances (per cent)	1.65%	2.21%

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

10.3 Maturity pattern

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

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

Rupees in million

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

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

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

Rupees in million

Maturity buckets	Loans & advances	Investment securities	Deposits	Borrowings
1 to 14 days	19,489.5	52,498.7	53,572.2	5,689.3
15 to 28 days	4,243.7	27,561.2	16,595.3	6,264.2
29 days to 3 months	11,939.4	32,787.9	72,534.5	6,935.9
3 to 6 months	19,139.5	32,634.2	85,839.2	19,097.4
6 months to 1 year	74,568.2	41,563.7	107,581.2	32,956.4
1 to 3 years	170,886.0	117,415.4	294,475.0	102,112.9
3 to 5 years	87,005.4	22,746.1	19,556.9	22,224.5
Above 5 years	173,744.3	107,148.0	7,897.7	24,741.6
Total	**561,016.0**	**434,355.2**	**658,052.0**	**220,022.2**

ICICI Bank

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

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

Rupees in million

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

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

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

Rupees in million

Maturity buckets	Loans & advances	Balances with banks and money at call and short notice	Deposits	Borrowings
1 to 14 days	190.7	11,584.7	1,732.0	1,540.6
15 to 28 days	404.0	1,862.4	543.7	3,668.8
29 days to 3 months	2,091.2	2,535.6	1,623.1	6,664.2
3 to 6 months	1,810.0	993.4	3,655.5	8,007.3
6 months to 1 year	12,969.6	..	5,131.6	11,519.3
1 to 3 years	15,350.3	..	7,114.4	15,488.4
3 to 5 years	9,623.9	..	1,663.5	22,985.5
Above 5 years	23,020.6	..	1,570.0	17,506.0
Total	**65,460.3**	**16,976.1**	**23,033.8**	**87,380.1**

Notes

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

10.4 Advances

(i) Lending to sensitive sectors

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

Rupees in million

	March 31, 2005	March 31, 2004
Capital market sector*	6,683.6	5,932.2
Real estate sector	43,497.0	25,172.3
Commodities sector	10,061.0	1,032.0

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

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

Rupees in million

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

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

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

(iii) Provision for non-performing advances

The movement of provisions during the year is as follows:

Rupees in million

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

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

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

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

Rupees in million

		April 1, 2004 to March 31, 2005	April 1, 2003 to March 31, 2004
A	No. of accounts	82	54
B	Aggregate value (net of provisions) of accounts sold to SC / RC	13,279.3	12,506.2
C	Aggregate consideration	10,862.3	12,439.5
D	Additional consideration realised in respect of accounts transferred in earlier years	..	..
E	Aggregate gain/(loss) over net sale value	(2,417.0)	(66.7)

10.5 Information in respect of restructured assets

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

Rupees in million

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

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

Rupees in million

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

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

10.6 Investments

Rupees in million

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

Provision for depreciation on investments

Rupees in million

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

10.7 Investments in equity shares and equity like instruments

Rupees in million

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

* Includes advance application money pending allotment of Rs. 821.3 million (March 31, 2004:Rs. 565.7 million).
** Includes unutilized limits sanctioned to brokers of Rs. 3,495.2 million (March 31, 2004: Rs. 761.1 million)

10.8 Investment in non- SLR securities

i) Issuer composition of non SLR investments

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

Rupees in million

No	Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities	Extent of 'unlisted' securities
			(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 corporate	45,210.8	30,553.2	200.0	31,362.1	29,677.4
5	Subsidiaries/ Joint ventures	20,667.0	2,661.3	..	150.0	150.0
6	Others	86,856.3	27,821.3	23,359.0	0.3	..
7	Provision held towards depreciation	(6,877.5)	..	..	..	..
	Total	**160,055.4**	**68,418.4**	**23,559.0**	**31,634.2**	**32,915.4**

Amounts reported under columns (a), (b), (c), and (d) above are not mutually exclusive
* This excludes investments, amounting to Rs. 2,551.3 million, in preference shares of subsidiaries, namely ICICI Bank UK Limited

and ICICI Bank Canada and Rs. 7,189.6 million invested by overseas branches / offshore banking unit.

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

Rupees in million

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

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

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

ii) Non performing non-SLR investments

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

Rupees in million

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

iii) Non performing non-SLR investments

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

Rupees in million

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

10.9 Repurchase transactions

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

Rupees in million

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

The details of securities sold and purchased under repos and reverse repos during the year ended March 31, 2004 are given below:

Rupees in million

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

10.10 Credit exposure

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

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

10.11 Risk category-wise country-wise exposure

As per the extant RBI guidelines, the country exposure of the Bank is categorised into various risk categories listed in the following table. Since the country exposure (net) of the Bank in respect of each country does not exceed 1% of the total funded assets, no provision is required to be maintained on country exposures.

Rupees in million

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

10.12 Interest rate swaps ("IRS")

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

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

Associated credit risk is the loss that the Bank would incur in case all the counter-parties to these swaps fail to fulfil their contractual obligations. As at March 31, 2005, the associated credit risk on trading rupee interest rate swap contracts is Rs. 9.87 billion (March 31, 2004: Rs. 8.96 billion).

Market risk is monitored as the loss that would be incurred by the Bank for a 100 basis points rise in the interest rates. As at March 31, 2005 the market risk on trading rupee interest rate swap contracts amounts to Rs. 0.14 billion (March 31, 2004: Rs. 0.06 billion).

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

10.13 Rupee and foreign currency derivatives

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

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

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

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

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

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

Sl No.	Particular	March 31, 2005	
		Currency derivatives*	**Interest rate derivatives**
1	**Derivatives (Notional principal amount)**		
	a) For hedging	8,083.1	106,428.6
	b) For trading	274,325.6	1,335,689.1
2	**Marked to market positions**		
	a) Asset (+)	442.0	564.7
	b) Liability (-)	..	..
3	**Credit exposure**	9,373.9	18,124.4
4	**Likely impact of one percentage change in interest rate (100*PV01)****		
	a) on hedging derivatives ***	(79.4)	(22.1)

Sl No.	Particular	March 31, 2005	
		Currency derivatives*	Interest rate derivatives
	b) on trading derivatives	880.7	(534.5)
5	**Maximum and minimum of 100*PV01 observed during the year****		
	a) on hedging***		
	Maximum	(38.2)	2.8
	Minimum	(101.5)	(1,675.1)
	b) on trading		
	Maximum	1,280.6	180.8
	Minimum	156.6	(1,081.3)

* Foreign currency IRS & FRAs are included in Interest Rate Derivatives
** Impact of one percent increase in interest rates
*** The swap contracts entered for hedging purpose have an opposite and offsetting impact with the underlying on-balance sheet items.

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

11. Investments in jointly controlled entities

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

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

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

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

Rupees in million

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

Rupees in million

Expenses	Amount	Income	Amount
Interest expenses	..	Interest income	0.1
Other expenses	341.5	Other income	460.7
Provisions	41.6		
Total	**383.1**	**Total**	**460.8**

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

Rupees in million

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

Rupees in million

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

12. Provision for non-performing assets

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

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

13. Subvention income

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

14. Transfer of investments from AFS to HTM category

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

15. Others

a. Exchange fluctuation

Exchange fluctuation aggregating Rs. 244.7 million (March 31, 2004: Rs. 577.8 million), which arises on account of rupee-tying agreements with the Government of India, is held in "Exchange Fluctuation Suspense with Government Account" pending adjustment at maturity on receipt of payments from the Government for repayments to foreign lenders.

b. Swap suspense (net)

Swap suspense (net) aggregating Rs. 794.7 million (debit) (March 31, 2004: Rs. 677.0 million (debit)), which arises out of conversion of foreign currency swaps, is held in "Swap suspense account" and will be reversed at conclusion of swap transactions with swap counter parties.

16.

16. Comparative figures

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

SIGNATURES TO SCHEDULES 1 TO 18

For and on behalf of Board of Directors

N. Vaghul Chairman	**K. V. Kamath** Managing Director & CEO	**Lalita D. Gupte** Joint Managing Director
Kalpana Morparia Deputy Managing Director	**Nachiket Mor** Executive Director	**Chanda D. Kochhar** Executive Director
N. S. Kannan Chief Financial Officer & Treasurer	**Jyotin Mehta** General Manager & Company Secretary	**G. Venkatakrishnan** General Manager- Accounting & Taxation Group

Place: Mumbai

Date : April 30, 2005